

CHALLENGE ASPEN
CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2025



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Challenge Aspen
Snowmass Village, Colorado

Opinion

We have audited the accompanying consolidated financial statements of Challenge Aspen and its affiliate Challenge Aspen Endowment Fund (collectively referred to as "Challenge Aspen"), which comprise the consolidated statement of financial position as of May 31, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Challenge Aspen as of May 31, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance 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 Consolidated 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.

Emphasis of Matter – Restatement

As discussed in Note 4 to the consolidated financial statements, net assets and cash and cash equivalents as of June 1, 2024, have been restated to include the financial information of Challenge Aspen Endowment Fund. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 but 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities on pages 21 and 22 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
February 12, 2026

CHALLENGE ASPEN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
May 31, 2025

ASSETS

Cash and Cash Equivalents	\$ 925,300
Accounts Receivable	8,087
Contributions and Grants Receivable, net	581,939
Prepaid Expenses and Other Assets	94,525
Inventory	9,248
Cash and Cash Equivalents, Restricted	53,050
Investments, Designated by the Board	5,745,565
Right of Use Operating Lease Asset	242,246
Property and Equipment, net	213,463
Endowment	
Cash and Cash Equivalents	121,882
Pledges Receivable	115,000
Investments	1,283,137
TOTAL ASSETS	<u><u>\$ 9,393,442</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 136,881
Accrued Expenses	68,440
Deferred Program Revenue	13,816
Right of Use Operating Lease Liability	249,321
TOTAL LIABILITIES	<u><u>468,458</u></u>

NET ASSETS

Without Donor Restrictions	
Operations	1,024,411
Board Designated Operating Reserves	2,800,000
Board Designated Additional Reserves	2,945,565
Total Without Donor Restrictions	<u>6,769,976</u>
With Donor Restrictions	
Perpetual in Nature	1,164,579
Temporary in Nature	990,429
Total With Donor Restrictions	<u>2,155,008</u>
TOTAL NET ASSETS	<u><u>8,924,984</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,393,442</u></u>

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

CHALLENGE ASPEN
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,556,679	\$ 25,000	\$ 2,581,679
Grants	550,715	197,222	747,937
Aspen Skiing Company In-Kind Donations	2,013,718	-	2,013,718
In-Kind Donations	202,130	-	202,130
Special Event Revenue, net	381,111	-	381,111
Program Service Fees, net	199,236	-	199,236
Investment Return, net	424,161	144,142	568,303
Other Income	8,163	-	8,163
Net Assets Released from Restrictions	429,835	(429,835)	-
TOTAL SUPPORT AND REVENUE	6,765,748	(63,471)	6,702,277
EXPENSES AND LOSSES			
Program Support	3,703,995	-	3,703,995
Supporting Services			
General and Administrative	367,031	-	367,031
Fundraising	520,808	-	520,808
Total Supporting Services	887,839	-	887,839
Total Expenses	4,591,834	-	4,591,834
Other Expenses			
Loss on Employee Retention Credit Refund (Note 14)	55,582	-	55,582
TOTAL EXPENSES AND LOSSES	4,647,416	-	4,647,416
CHANGE IN NET ASSETS	2,118,332	(63,471)	2,054,861
NET ASSETS, Beginning of Year (RESTATED)	4,651,644	2,218,479	6,870,123
NET ASSETS, End of Year	\$ 6,769,976	\$ 2,155,008	\$ 8,924,984

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

CHALLENGE ASPEN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2025

	Program Support	General and Administrative	Fundraising	Cost of Goods Sold	Total
Scholarships	\$ 152,575	\$ -	\$ -	\$ -	\$ 152,575
Salaries	676,038	161,113	327,995	-	1,165,146
Retirement Plan	19,148	5,470	10,512	-	35,130
Other Employee Benefits	56,374	28,956	29,807	-	115,137
Payroll Taxes	59,678	14,377	28,982	-	103,037
Professional Services	8,282	25,054	33,800	-	67,136
Accounting	-	46,346	-	-	46,346
Aspen Skiing Company Instruction	2,013,718	-	-	-	2,013,718
Ski and Snowboard Rentals	61,937	-	-	-	61,937
Activity Fees	56,962	-	-	-	56,962
Advertising	26,420	-	9,629	-	36,049
Office Expense	31,943	43,750	37,667	-	113,360
Program Supplies	43,213	-	-	-	43,213
Information Technology	26,253	7,055	17,320	-	50,628
Occupancy	205,716	23,903	24,236	-	253,855
Travel, Transportation and Accommodations	189,929	-	16	-	189,945
Conferences, Conventions and Meetings	3,721	6,437	844	-	11,002
Insurance	31,689	4,570	-	-	36,259
Cost of Adaptive Recreation Lessons and Lift Passes	591,772	-	-	-	591,772
Cost of Direct Benefits to Donors	-	-	265,036	-	265,036
Cost of Retail Goods Sold	-	-	-	8,273	8,273
Depreciation	40,399	-	-	-	40,399
Total Expenses by Function	4,295,767	367,031	785,844	8,273	5,456,915
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	(265,036)	-	(265,036)
Cost of Retail Goods Sold	-	-	-	(8,273)	(8,273)
Cost of Adaptive Recreation Lessons and Lift Passes	(591,772)	-	-	-	(591,772)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 3,703,995	\$ 367,031	\$ 520,808	\$ -	\$ 4,591,834

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

CHALLENGE ASPEN
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended May 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,054,861
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by (Used in) Operating Activities:	
Depreciation Expense	40,399
Decrease in Present Value Discount on Contributions and Grants Receivable	(22,872)
Unrealized Loss on Investments	121,064
Realized Gain on Investments	(538,946)
Income Restricted by Donors to be Held in Perpetuity for the Endowment	(25,000)
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(6,912)
Contributions and Grants Receivable	216,823
Prepaid Expenses and Other Assets	(57,412)
Inventory	2,048
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	124,158
Accrued Expenses	(22,984)
Deferred Program Revenue	(9,754)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,875,473</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(145,558)
Purchases of Investments, Net	(1,391,769)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,537,327)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Receipt of Pledges Receivable Restricted by Donors to be Held in Perpetuity for the Endowment	50,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>50,000</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (RESTATED)	<u>712,086</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,100,232</u>

Cash and Cash Equivalents	\$ 925,300
Cash and Cash Equivalents, Restricted	53,050
Cash and Cash Equivalents, Endowment	121,882
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,100,232</u>

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

CHALLENGE ASPEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2025

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 Endowment Fund (the Endowment Fund) is a separate Colorado nonprofit organization exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code with a calendar year end, established solely to raise, hold, and administer funds for the benefit of Challenge Aspen. The Endowment Fund is classified as a supporting organization of Challenge Aspen under Section 509(a)(3) of the Internal Revenue Code. The Endowment Fund is supported primarily through donor contributions and investment earnings.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the consolidated financial statements, Challenge Aspen has evaluated events and transactions for potential recognition or disclosure through February 12, 2026, the date that the consolidated financial statements were available to be issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Challenge Aspen and the Endowment Fund because Challenge Aspen has both control and an economic interest in the Endowment Fund. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "Challenge Aspen."

BASIS OF ACCOUNTING

The consolidated 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 consolidated financial statements to the reader.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, 2025, Challenge Aspen had \$521,520 of cash and cash equivalents in excess of FDIC coverage.

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts owed to Challenge Aspen for program services. As of May 31, 2025, 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 AND PLEDGES RECEIVABLE

Unconditional contributions, pledges, 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, and pledges 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, pledges, 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, 2025, Challenge Aspen believes that all contributions, pledges 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. Leasehold improvements are depreciated over the shorter of the lease term or the asset's useful life, ranging from two to fifteen years. Adaptive recreation equipment, office equipment, furniture and fixtures, and vehicles are depreciated over useful lives ranging from three to seven years. 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 PROGRAM REVENUE

Deferred Revenue consists 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 to support future programming.

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, pledges, 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 assets released from restrictions. When a donor restriction expires in the same year that the donor-restricted support is received, the support is presented as an increase in net assets without donor restrictions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 they 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.

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. During the year ended May 31, 2025, Challenge Aspen received significant volunteer services related to its winter and summer programs and administrative and event activities. These services did not meet the criteria for recognition and therefore are not reflected in the consolidated financial statements. Volunteers contributed 3,924 hours to winter programs (104 volunteers), 1,280 hours to summer programs (48 volunteers), and 536 hours to administrative and event-related activities (36 volunteers).

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. 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 as well as lift passes.

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

INCOME TAX STATUS

Challenge Aspen and the Endowment Fund are organized as Colorado nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction, and have been determined not to be private foundations. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 year ended May 31, 2025, total advertising expenses were \$36,049.

4. RESTATEMENT

Net assets and cash and cash equivalents as of June 1, 2024, have been restated to include the financial information of the Endowment Fund. The restatement had the following impact on net assets and cash and cash equivalents as of June 1, 2024:

- Net assets without donor restrictions increased by \$144,383 due to \$152,869 of cash and cash equivalents without donor restrictions less accounts payable of \$8,486.
- Net assets with donor restrictions increased by \$1,350,877 due to \$181,009 of cash and cash equivalents, \$1,029,868 of investments, and \$140,000 of pledges receivable restricted by donors for the Endowment.
- Cash and cash equivalents increased by \$333,878 due to \$152,869 of cash and cash equivalents without donor restrictions and \$181,009 of cash and cash equivalents with donor restrictions related to the Endowment.

5. 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, are comprised of the following as of May 31, 2025:

Cash and Cash Equivalents	\$	925,300
Accounts Receivable		8,087
Contributions and Grants Receivable Due in One Year or Less not Restricted by Donors		76,722
Investments, Designated by the Board as an Operating Reserve		2,800,000
	\$	<u>3,810,109</u>

Challenge Aspen's liquidity management plan is reviewed frequently to ensure that funds are available to meet obligations. As of May 31, 2025, the board of directors has designated \$2,800,000 of investments as an operating reserve. Refer to Note 7 for further information.

6. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET AND PLEDGES RECEIVABLE

As of May 31, 2025, contributions and grants, and pledges receivable are to be collected as follows:

In one year or less	\$	366,722
In one to five years		350,000
		<u>716,722</u>
Less unamortized present value discount		(19,783)
	\$	<u>696,939</u>

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

7. 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 of 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.

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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. 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, 2025:

Mutual Funds and Exchange Traded Funds	\$ 4,801,448
Fixed Income Securities	<u>2,227,254</u>
	<u>\$ 7,028,702</u>

Challenge Aspen's board of directors has designated \$5,745,565 of investments as a reserve fund. Challenge Aspen's investment objective related to these funds 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. Of the total amount of investments designated as a reserve fund, the board of directors has designated \$2,800,000 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.

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The remainder of Challenge Aspen’s investment portfolio designated as a reserve fund has been 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.

Additionally, there are \$1,283,137 of investments maintained by the Endowment Fund to support the current and future expected programs of Challenge Aspen. These investments consist of \$1,049,579 of funds restricted by donors to be held in perpetuity and \$233,558 of funds that are subject to appropriation and expenditure based on the endowment spending policy. Refer to Note 9 for more information regarding the Endowment.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of May 31, 2025:

Equipment	\$	332,622
Leasehold Improvements		91,003
Vehicles		167,351
Furniture and Fixtures		8,605
		<u>599,581</u>
Less Accumulated Depreciation		<u>(386,118)</u>
	\$	<u>213,463</u>

For the year ended May 31, 2025, Depreciation expense was \$40,399.

9. ENDOWMENT

The Endowment Fund was established to provide support for the programs and activities of Challenge Aspen. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Challenge Aspen interprets UPMIFA as requiring the preservation of the original value of the gift as of the date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As of May 31, 2025, there were no such donor stipulations. As a result of this interpretation, Challenge Aspen retains in perpetuity (a) the original value of initial and subsequent gifts amount (including pledges receivable) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the endowment fund that is not classified as perpetual in nature is classified as with donor restrictions, temporary in nature, and is subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

9. ENDOWMENT (continued)

In accordance with UPMIFA, the following factors are considered when making a determination to allocate or accumulate donor-restricted funds: duration and preservation of the fund, purposes of the donor-restricted funds, general economic conditions, the possible impact of inflation or deflation, the expected total return from income and appreciation of investments, other available resources, and Challenge Aspen's investment policies.

The expendable investment income earned on the corpus, which includes interest and dividends, realized and unrealized gains, net of administrative fees, is included in net assets with donor restrictions, temporary in nature. Challenge Aspen has adopted a spending policy as it relates to net investment income and releases the income from restrictions based on the policy as adopted. Challenge Aspen is committed to preserving the corpus of the Endowment fund.

Challenge Aspen has adopted an investment policy for endowment assets that is intended to support the programs and activities of Challenge Aspen through a total return investment strategy that aspires to increase the purchasing power of the investment portfolio, without putting the principal value of the funds at imprudent risk, while providing sufficient liquidity required to meet the spending policy. Under the investment policy, as approved by the board of directors, endowment assets are invested in a manner that reduces risk through diversification while obtaining a competitive rate of return that consists of both capital appreciation (realized and unrealized) and current yield (interest and dividends). The board of directors reviews the long-term asset strategy of the investment portfolio periodically.

The spending policy of the Endowment fund is to distribute approximately 5% of Endowment fund's annual investment portfolio income to Challenge Aspen in support of its operations, and to consider, from time to time, special requests from Challenge Aspen to fund asset purchases which are essential to the fulfillment of Challenge Aspen's mission. Distributions from the Endowment Fund are not anticipated to occur until the value of the Endowment investment portfolio has reached \$5,000,000. Through May 31, 2025, there have not been any appropriations of funds from the Endowment.

As of May 31, 2025, all of Challenge Aspen's Endowment net assets were classified as with donor restrictions and were comprised of the following:

Original donor-restricted gift amount (including pledges receivable) and amounts required to be maintained in perpetuity by donors	\$ 1,164,579
Accumulated investment earnings subject to endowment spending policy and appropriation	355,440
	<u>\$ 1,520,019</u>

9. ENDOWMENT (continued)

Changes in Endowment net assets, all of which are classified as with donor restrictions, during the year ended May 31, 2025, are as follows:

Endowment net assets, beginning of year	\$ 1,350,877
Net investment return	144,142
Contributions	<u>25,000</u>
Endowment net assets, end of year	<u>\$ 1,520,019</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of net assets with donor restrictions that are perpetual in nature, all of which are related to the Endowment, and net assets with donor restrictions that are temporary in nature related to the passage of time or purpose restrictions. Net assets with donor restrictions consists of the following as of May 31, 2025:

Endowment - Original donor-restricted gift amount (including pledges receivable) and amounts required to be maintained in perpetuity by donors	\$ 1,164,579
Endowment - Accumulated investment earnings subject to endowment spending policy and appropriation	355,440
Subject to expenditure for technology advancement and innovation	33,050
Subject to expenditure for TetraSki training and education	20,000
Contributions and Grants Receivable not restricted by donors, but are unavailable for expenditure until due	101,722
Contributions and Grants Receivable, net of present value discount, unavailable for expenditure until due and restricted by donors for REC (Recreational, Educational, Cultural) programs	<u>480,217</u>
Net Assets With Donor Restrictions, Temporary in Nature	<u>990,429</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,155,008</u>

10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

During the year ended May 31, 2025, net assets released from donor restrictions by incurring expenses satisfying the purpose specified by donors and the passage of time consisted of the following:

Scholarships	\$	115,223
Technology advancement and innovation		19,950
REC programs		250,000
Other programs		9,534
Passage of Time		35,128
	\$	<u>429,835</u>

11. 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 year ended May 31, 2025, The Aspen Skiing Company valued the discounted lift tickets, lessons, and other services at \$2,013,718, 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 year ended May 31, 2025, Challenge Aspen received in-kind donations of rent, discounted ski and snowboard rental rates, and other services valued at \$202,130, 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.

12. SPECIAL EVENT REVENUE, NET

Special event revenue, net consists of the following for the year ended May 31, 2025:

Gross Special Event Revenue	\$	646,147
Cost of Direct Benefits to Donors		<u>(265,036)</u>
Special Event Revenue, net	\$	<u>381,111</u>

13. 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 and lift passes. Program service fees recognized on the statement of activities for the year ended May 31, 2025, is summarized as follows:

Gross Program Service Fees	\$	791,008
Less Amounts paid to Aspen Skiing Company for Lessons and Lift Passes		<u>(591,772)</u>
Program Service Fees, Net	\$	<u>199,236</u>

14. EMPLOYEE RETENTION CREDIT

During the year ended May 31, 2025, Challenge Aspen received a notice from the IRS requiring them to refund the IRS \$55,582 of employee retention credits (“ERC”) received in a previous fiscal year and interest due to not filing for the ERC through their professional employer organization (PEO). The amount paid to the IRS has been recognized as a loss on the accompanying consolidated statement of activities.

15. LEASES

Challenge Aspen leases office space in Snowmass Village, Colorado from Snowmass Mall Investment Group, LLC, under a triple net lease. The lease expires on April 30, 2028. Minimum monthly base rent was \$4,627 from June 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 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, 2025, Challenge Aspen paid \$83,978 in rent to the landlord and received in-kind donations of rent totaling \$130,610. Operating lease expense for the year ended May 31, 2025, was \$88,320. Amounts paid under leases with terms less than twelve months or month-to-month leases are expensed as incurred.

Supplemental cash flow information related to the lease is as follows for the year ended May 31, 2025:

Operating cash flows from operating leases	\$	83,978
Weighted-average remaining lease term in years for operating leases		2.92
Weighted-average discount rate for operating leases		4.00%

15. LEASES (continued)

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

2026	\$ 86,917
2027	89,959
2028	<u>87,799</u>
Total undiscounted cash flows	264,675
Less: present value discount	<u>(15,354)</u>
Total lease liabilities	<u>\$ 249,321</u>

16. 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 year ended May 31, 2025, Challenge Aspen contributed \$35,130 to the plan.

17. CONCENTRATIONS

As of May 31, 2025, approximately 83% 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, 2025, all of Challenge Aspen's pledges receivable balance related to the endowment is due from two donors, both of whom are members of the Endowment Fund's Board of Directors.

For the year ended May 31, 2025, approximately 58% of Challenge Aspen's total contributions recognized were from one donor. Also, for the year ended May 31, 2025, approximately 68% of Challenge Aspen's total grants recognized were from four grantors. 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.

SUPPLEMENTARY INFORMATION

CHALLENGE ASPEN
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
May 31, 2025

	Challenge Aspen	Challenge Aspen Endowment Fund	Eliminations	Total
ASSETS				
Cash and Cash Equivalents	\$ 769,129	\$ 156,171	\$ -	\$ 925,300
Accounts Receivable	81,213	-	(73,126)	8,087
Contributions and Grants Receivable, net	581,939	-	-	581,939
Prepaid Expenses and Other Assets	94,525	-	-	94,525
Inventory	9,248	-	-	9,248
Cash and Cash Equivalents, Restricted	53,050	-	-	53,050
Investments, Designated by the Board	5,745,565	-	-	5,745,565
Right of Use Operating Lease Asset	242,246	-	-	242,246
Property and Equipment, net	213,463	-	-	213,463
Endowment				-
Cash and Cash Equivalents	-	121,882	-	121,882
Pledges Receivable	-	115,000	-	115,000
Investments	-	1,283,137	-	1,283,137
TOTAL ASSETS	\$ 7,790,378	\$ 1,676,190	\$ (73,126)	\$ 9,393,442
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 136,881	\$ 73,126	\$ (73,126)	\$ 136,881
Accrued Expenses	68,440	-	-	68,440
Deferred Program Revenue	13,816	-	-	13,816
Right of Use Operating Lease Liability	249,321	-	-	249,321
TOTAL LIABILITIES	468,458	73,126	(73,126)	468,458
NET ASSETS				
Without Donor Restrictions				
Operations	941,366	83,045	-	1,024,411
Board Designated Operating Reserves	2,800,000	-	-	2,800,000
Board Designated Additional Reserves	2,945,565	-	-	2,945,565
Total Without Donor Restrictions	6,686,931	83,045	-	6,769,976
With Donor Restrictions				
Perpetual in Nature	-	1,164,579	-	1,164,579
Temporary in Nature	634,989	355,440	-	990,429
Total With Donor Restrictions	634,989	1,520,019	-	2,155,008
TOTAL NET ASSETS	7,321,920	1,603,064	-	8,924,984
TOTAL LIABILITIES AND NET ASSETS	\$ 7,790,378	\$ 1,676,190	\$ (73,126)	\$ 9,393,442

See Independent Auditor's Report

CHALLENGE ASPEN
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2025

	<u>Challenge Aspen</u>	<u>Challenge Aspen Endowment Fund</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 2,556,679	\$ 25,000	\$ -	\$ 2,581,679
Grants	747,937	-	-	747,937
Aspen Skiing Company In-Kind Donations	2,013,718	-	-	2,013,718
In-Kind Donations	202,130	-	-	202,130
Special Event Revenue, net	381,111	-	-	381,111
Program Service Fees, net	199,236	-	-	199,236
Investment Return, net	420,859	147,444	-	568,303
Other Income	8,163	-	-	8,163
TOTAL SUPPORT AND REVENUE	<u>6,529,833</u>	<u>172,444</u>	<u>-</u>	<u>6,702,277</u>
EXPENSES AND LOSSES				
Program Support	3,703,995	-	-	3,703,995
Supporting Services				
General and Administrative	363,514	3,517	-	367,031
Fundraising	459,685	61,123	-	520,808
Total Supporting Services	<u>823,199</u>	<u>64,640</u>	<u>-</u>	<u>887,839</u>
Total Expenses	<u>4,527,194</u>	<u>64,640</u>	<u>-</u>	<u>4,591,834</u>
Other Expenses				
Loss on Employee Retention Credit Refund (Note 14)	55,582	-	-	55,582
TOTAL EXPENSES AND LOSSES	<u>4,582,776</u>	<u>64,640</u>	<u>-</u>	<u>4,647,416</u>
CHANGE IN NET ASSETS	<u>1,947,057</u>	<u>107,804</u>	<u>-</u>	<u>2,054,861</u>
NET ASSETS, Beginning of Year	<u>5,374,863</u>	<u>1,495,260</u>	<u>-</u>	<u>6,870,123</u>
NET ASSETS, End of Year	<u>\$ 7,321,920</u>	<u>\$ 1,603,064</u>	<u>\$ -</u>	<u>\$ 8,924,984</u>

See Independent Auditor's Report