

CHALLENGE ASPEN
AUDITED FINANCIAL STATEMENTS
May 31, 2023 and 2022



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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, 2023, 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, 2023, 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.

Report on Summarized Comparative Information

We have previously audited Challenge Aspen's May 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2022, 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
January 14, 2024

CHALLENGE ASPEN

STATEMENTS OF FINANCIAL POSITION

May 31, 2023
(with Comparative Totals for May 31, 2022)

	2023	2022
ASSETS		
Cash and Cash Equivalents, Undesignated	\$ 77,555	\$ 220,016
Cash, Designated	131,757	161,867
Accounts Receivable	54,486	4,974
Prepaid Expenses	16,179	15,162
Inventory	14,160	13,548
Contributions/Grants Receivable	27,985	33,000
Investments, Undesignated	44,996	-
Investments, Designated by the Board	3,585,872	3,515,015
Right of Use Lease Asset	66,133	-
Property and Equipment, net	38,114	52,540
TOTAL ASSETS	\$ 4,057,237	\$ 4,016,122
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 131,844	\$ 44,141
Accrued Expenses	65,678	10,565
Deferred Revenue	15,808	30,232
Right of Use Lease Liability	60,179	-
TOTAL LIABILITIES	273,509	84,938
 NET ASSETS		
Without Donor Restrictions		
Designated by the Board	3,585,872	3,683,777
Invested in Fixed Assets	38,114	52,540
Total Without Donor Restrictions	3,623,986	3,736,317
With Donor Restrictions		
Program Restrictions	131,757	161,867
Time-Restricted for Future Periods	27,985	33,000
Total With Donor Restrictions	159,742	194,867
TOTAL NET ASSETS	3,783,728	3,931,184
TOTAL LIABILITIES AND NET ASSETS	\$ 4,057,237	\$ 4,016,122

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

CHALLENGE ASPEN

STATEMENTS OF ACTIVITIES

**For the Year Ended May 31, 2023
(with Comparative Totals for the Year Ended May 31, 2022)**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 848,630	\$ 46,714	\$ 895,344	\$ 860,227
Aspen Skiing Company In-Kind Donations	1,280,640	-	1,280,640	1,134,138
In-Kind Donations	167,311	-	167,311	182,730
Grants	87,468	182,500	269,968	263,043
Special Event Revenue, net	373,507	-	373,507	224,172
Program Service Fees	274,653	-	274,653	262,587
Merchandise Sales, net	(5,217)	-	(5,217)	(2,597)
Investment Return, net	11,104	-	11,104	(189,745)
Gain (Loss) on Disposition of Assets	600	-	600	5,324
Other Income	3,687	-	3,687	1,342
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	16,500	(16,500)	-	-
Satisfaction of Program Restrictions	247,839	(247,839)	-	-
TOTAL SUPPORT AND REVENUE	3,306,722	(35,125)	3,271,597	2,741,221
EXPENSES				
Program Support Expenses	2,796,799	-	2,796,799	2,543,078
Supporting Services Expense				
General and Administrative	318,912	-	318,912	215,595
Fundraising	303,342	-	303,342	249,034
Total Supporting Services Expenses	622,254		622,254	464,629
TOTAL EXPENSES	3,419,053	-	3,419,053	3,007,707
CHANGE IN NET ASSETS	(112,331)	(35,125)	(147,456)	(266,486)
NET ASSETS, Beginning of Year	3,736,317	194,867	3,931,184	4,197,670
NET ASSETS, End of Year	\$ 3,623,986	\$ 159,742	\$ 3,783,728	\$ 3,931,184

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

CHALLENGE ASPEN

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2023**

	Program Support Expenses	General and Administrative	Fundraising	Cost of Goods Sold	Total
Scholarships	\$ 35,481	\$ -	\$ -	\$ -	\$ 35,481
Salaries	600,763	164,494	242,936	-	1,008,193
Retirement Plan	15,262	5,039	7,210	-	27,511
Other Employee Benefits	59,297	19,254	16,546	-	95,097
Payroll Taxes	51,517	13,019	20,530	-	85,066
Professional Services	2,636	15,904	1,425	-	19,965
Accounting	-	31,833	-	-	31,833
Aspen Ski Instruction	1,280,640	-	-	-	1,280,640
Participant Lessons	93,786	-	-	-	93,786
Activity Fees	87,598	-	-	-	87,598
Advertising	54,977	913	2,135	-	58,025
Office Expense	56,398	42,709	5,661	-	104,768
Programs Supplies	58,062	(40)	-	-	58,022
Information Technology	9,265	2,135	4,463	-	15,863
Occupancy	203,741	17,918	133	-	221,792
Travel	133,461	-	142	-	133,603
Conferences, Conventions and Meetings	6,242	125	2,161	-	8,528
Insurance	25,360	5,609	-	-	30,969
Cost of Direct Benefits to Donors	-	-	-	276,928	276,928
Cost of Retail Goods Sold	-	-	-	12,474	12,474
Depreciation	22,313	-	-	-	22,313
	2,796,799	318,912	303,342	289,402	3,708,455
Less Expenses Included with Revenues on the Statement of Activities					
Cost of Direct Benefits to Donors	-	-	-	(276,928)	(276,928)
Cost of Retail Goods Sold	-	-	-	(12,474)	(12,474)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 2,796,799	\$ 318,912	\$ 303,342	\$ -	\$ 3,419,053

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
	2,543,078	215,595	249,034	205,033	3,212,740
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	\$ 2,543,078	\$ 215,595	\$ 249,034	\$ -	\$ 3,007,707

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

CHALLENGE ASPEN

STATEMENTS OF CASH FLOWS

**For the Year Ended May 31, 2023
(with Comparative Totals for the Year Ended May 31, 2022)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (147,456)	\$ (266,486)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	22,313	19,379
Unrealized Loss on Investments	84,729	532,896
Realized (Gain) Loss on Investments	5,376	(190,636)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(49,512)	(4,974)
Prepaid Expenses	(1,017)	3,033
Inventory	(612)	(8,292)
Contributions/Grants Receivable	5,015	(1,400)
Right of Use Lease Asset	(66,133)	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable	87,703	8,218
Accrued Expenses	55,113	(33,189)
Deferred Revenue	(14,424)	15,682
Right of Use Lease Liability	60,179	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	41,274	74,231
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(7,888)	(15,230)
Proceeds from the Sale of Investments	196,471	1,364,881
Purchase of Investments	(402,428)	(1,876,262)
NET CASH USED IN INVESTING ACTIVITIES	(213,845)	(526,611)
NET DECREASE IN CASH AND RESTRICTED CASH	(172,571)	(452,380)
CASH, CASH EQUIVALENTS and RESTRICTED CASH, Beginning of Year	381,883	834,263
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, End of Year	\$ 209,312	\$ 381,883

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

CHALLENGE ASPEN

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended May 31, 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.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, Challenge Aspen has evaluated events and transactions for potential recognition or disclosure through January 3, 2024 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, 2023 and 2022 Challenge Aspen had \$0 and \$31,829 respectively in cash equivalents.

Cash and cash equivalents as of May 31, 2023 and 2022 consist of the following:

	May 31,	
	2023	2022
Cash without restrictions	\$ 77,555	\$ 220,016
Cash with restrictions	131,757	161,867
Cash and restricted cash shown in the statement of cash flows	<u>\$ 209,312</u>	<u>\$ 381,883</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, 2023 and 2022.

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, 2023 and 2022 the amount accrued for paid time off is \$63,661 and \$10,561, 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, 2023 that did not meet the criterial recognition were 3,703 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 on the basis of estimates of time and effort.

ADVERTISING

Challenge Aspen expenses advertising costs as incurred. Total advertising expenses were \$58,025 and \$39,941 for the years ended May 31, 2023 and 2022, 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, 2022, from which the summarized information was derived.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS - LEASES

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 December 15, 2022, with early adoption permitted and must be applied using a modified retrospective approach.

The Organization elected this transition method and adopted Topic 842 using a modified retrospective approach as of June 1, 2022, which had no effect on retained earning as of adoption date. For more information on the Organization's lease arrangement refer to Note 15.

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, 2023 and 2022:

	May 31,	
	2023	2022
Cash and Cash Equivalents	\$ 77,556	\$ 220,016
Pledges, without restrictions payable in one year	87,468	16,500
Investments, Undesignated	44,996	-
Investments, Designated by the Board	3,585,872	3,515,015
	<u>\$ 3,795,892</u>	<u>\$ 3,751,531</u>

Challenge Aspen's liquidity management plan is reviewed frequently to ensure that funds are available to meet obligations. Management also board designated \$3,585,872 and \$3,683,777 of available net assets as of May 31, 2023 and 2022, respectively.

5. CONTRIBUTIONS/GRANTS RECEIVABLE

As of May 31, 2023 and 2022, grants receivable are as follows:

	May 31,	
	2023	2022
In one year or less	\$ 27,985	\$ 16,500
Between 1 to 5 years	-	16,500
	<u>\$ 27,985</u>	<u>\$ 33,000</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,	
	2023	2022
Certificates of Deposit	\$ 36,352	\$ 72,044
Mutual Funds	2,199,401	2,099,701
Equities	670,064	658,152
Fixed Income Securities	701,864	658,838
Real Estate Investment Trusts	23,187	26,280
	<u>\$ 3,630,868</u>	<u>\$ 3,515,015</u>

Investment return is summarized as follows:

	May 31,	
	2023	2022
Bank Interest	\$ 843	\$ 191
Interest & Dividends	128,580	177,529
Net Realized Gain (Loss)	(5,376)	190,636
Net Unrealized Loss	(87,276)	(532,896)
Investment Fees	(25,667)	(25,205)
	<u>\$ 11,104</u>	<u>\$ (189,745)</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, 2023 and 2022, all Challenge Aspen's investments are all Level 1 investments.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31,	
	2023	2022
Leasehold Improvements	\$ 91,003	\$ 91,003
Equipment	195,710	187,823
Furniture & Fixtures	8,606	8,606
Computer & Office Equipment	1,900	1,900
Vehicles	86,034	86,034
	<u>383,253</u>	<u>375,366</u>
Less Accumulated Depreciation	(345,139)	(322,826)
	<u>\$ 38,114</u>	<u>\$ 52,540</u>

Challenge Aspen had depreciation expenses of \$22,314 and \$19,979 for the years ended May 31, 2023 and 2022, respectively.

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, 2023 and 2022, the board restricted \$3,585,872 and \$3,683,777, respectively.

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	May 31,	
	2023	2022
Time Restricted Pledges	\$ 27,985	\$ 33,000
Peter Malcolm Memorial Scholarship	115,223	142,165
Wichita	8,388	8,388
CAMO-Estes Park	-	3,023
Children's Hospital - Denver	1,146	1,146
Equipment Fund	-	2,145
REC Program	7,000	-
Visually Impaired	-	5,000
	<u>\$ 159,742</u>	<u>\$ 194,867</u>

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

	May 31,	
	2023	2022
Expiration of Time Restrictions	\$ 16,500	\$ 6,000
Veterans Programs	166,741	266,876
CAMO- Estes Park	3,022	-
Peter Malcolm Memorial Scholarship	34,658	28,419
REC Programming	21,500	35,740
Magic of Music & Dance	469	-
Equipment Fund/Van	8,684	35,147
Tennessee School for the Blind	5,000	4,131
VI (Visually Impaired)	5,000	-
Local's Program	2,765	2,000
General Programing	-	12,000
	<u>\$ 264,339</u>	<u>\$ 390,313</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 \$1,280,640 and \$1,134,138 for the years ended May 31, 2023 and 2022, respectively.

For the years ended May 31, 2023 and 2022, in kind donations of other services, rent and equipment were \$167,311 and \$182,730. 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, 2023 and 2022.

	May 31,	
	2023	2022
Revenues	\$ 650,435	\$ 420,959
Direct Costs	(276,928)	(196,787)
Special Events, Net	<u>\$ 373,507</u>	<u>\$ 224,172</u>

13. PROGRAM SERVICE FEES, NET

Program services, net are as follows:

	May 31,	
	2023	2022
Gross Program Service Fees	\$ 643,123	\$ 604,930
Cost of Program Service Fees	(368,470)	(342,343)
Program Service Fees, Net	<u>\$ 274,653</u>	<u>\$ 262,587</u>

14. MERCHANDISE SALES, NET

Merchandise sales, net are as follows:

	May 31,	
	2023	2022
Gross Merchandise Sales	\$ 7,257	\$ 5,649
Cost of Merchandise Sales	(12,474)	(8,246)
Merchandise Sales, Net	<u>\$ (5,217)</u>	<u>\$ (2,597)</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, 2023, Challenge Aspen paid \$80,045 in rent and received an in-kind donation of \$121,926 for a total expense of \$201,971. 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.

Supplemental cash flow information related to lease was as follows:

Operating cash flows from operating leases	\$	79,443
ROU assets obtained in exchange for new operating lease liabilities	\$	135,412
Weighted-average remaining lease term in years for operating leases		0.92
Weighted-average discount rate for operating leases		4.00%

Future minimum payments on these leases are as follows:

2024-25	\$	61,411
Less: present value discount		(1,232)
Total Right of Use Lease Liability	\$	<u>60,179</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 \$27,511 and \$20,840 for the year ended May 31, 2023 and 2022, 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, 2023, Challenge Aspen had all of its cash deposits covered under FDIC Insurance. As of May 31, 2022, Challenge Aspen had \$25,946 of its cash deposits not covered under FDIC Insurance.

ECONOMIC DEPENDENCY

On May 31, 2023, approximately 12% of the total contributions came from one donor, 99% of the grant revenue was received from three donors, and 88% of In-Kind Contributions was received from one entity. 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, 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.