

CHALLENGE UNLIMITED, INC.

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

CHALLENGE UNLIMITED, INC.

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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON
December 20, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Challenge Unlimited, Inc.
Alton, Illinois

Qualified Opinion

We have audited the accompanying financial statements of Challenge Unlimited, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the 2023 and 2022 financial statements of Challenge Unlimited, Inc. of the matter discussed in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Challenge Unlimited, Inc. as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 11 to the financial statements, the Organization has significant managerial and financial relationships with Residential Options, Inc. and Project CU, Inc. (nonprofit organizations). The financial statements do not present the combined results of activities or financial position of these related organizations. In our opinion, accounting principles generally accepted in the United States of America require the financial statements to be adjusted to combine the results of activities and financial position of Challenge Unlimited, Inc., Residential Options, Inc. and Project CU, Inc.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Unlimited, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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, and for 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 Unlimited Inc'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 but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government 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 Unlimited Inc'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 Unlimited Inc'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 audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information listed as schedules 1-2 in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of Challenge Unlimited, Inc's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Challenge Unlimited Inc's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Challenge Unlimited, Inc's internal control over financial reporting and compliance.


Alton, Illinois

CHALLENGE UNLIMITED, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,134,181	\$ 3,598,322
Investments	6,048,353	5,415,999
Accounts Receivable (Net)	3,722,143	3,860,209
Accounts Receivable - Related Organization	214,742	194,206
Accrued Income	91,951	82,840
Prepaid Expenses	230,538	209,168
Total Current Assets	<u>\$ 13,441,908</u>	<u>\$ 13,360,744</u>
LONG-TERM INVESTMENTS		
Investments - Deferred Compensation	<u>\$ 296,296</u>	<u>\$ 255,290</u>
PROPERTY AND EQUIPMENT (NET)		
	<u>\$ 5,270,957</u>	<u>\$ 5,466,583</u>
OTHER ASSETS		
Notes Receivable (Net)	\$ 482,644	\$ 450,000
Deposits	9,401	18,901
Right of Use Asset	669,375	
Total Other Assets	<u>\$ 1,161,420</u>	<u>\$ 468,901</u>
TOTAL ASSETS	<u><u>\$ 20,170,581</u></u>	<u><u>\$ 19,551,518</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 579,576	\$ 759,947
Notes and Capital Lease Obligations Payable - Current Maturities		
Accrued Expenses	2,930,459	2,335,742
Deferred Income		3,944
Short Term Lease Liability	159,239	
Total Current Liabilities	<u>\$ 3,669,274</u>	<u>\$ 3,099,633</u>
LONG-TERM LIABILITIES:		
Deferred Compensation	\$ 296,296	\$ 255,290
Long Term Lease Liability	511,332	
Total Long Term Liabilities	<u>\$ 807,628</u>	<u>\$ 255,290</u>
Total Liabilities	<u>\$ 4,476,902</u>	<u>\$ 3,354,923</u>
NET ASSETS		
Net Assets Without Donor Restrictions:		
Board Designated Operating Reserve	\$ 7,664,210	\$ 6,944,125
Undesignated	8,029,469	9,252,470
Total Net Assets Without Donor Restrictions	<u>\$ 15,693,679</u>	<u>\$ 16,196,595</u>
Net Assets With Donor Restrictions:		
Purpose Restricted	\$ 0	\$ 0
Total Net Assets	<u>\$ 15,693,679</u>	<u>\$ 16,196,595</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 20,170,581</u></u>	<u><u>\$ 19,551,518</u></u>

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

CHALLENGE UNLIMITED, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net Assets Without Donor Restrictions Support and Revenue		
Fees and Purchases for Services	\$ 2,716,825	\$ 2,260,608
Grants	596,749	476,898
In-Kind Grants	20,000	20,000
Sales of Goods and Services	25,364,650	22,719,696
Rental Income	405,624	422,424
Management Fees	726,562	787,608
Contributions and Other	360,229	279,642
Investment Income	190,174	55,369
Net Gain (Loss) on Sale of Assets	(213,971)	6,931
Total Net Assets Without Donor Restrictions Support and Revenue	<u>\$ 30,166,842</u>	<u>\$ 27,029,176</u>
Net Assets released from restrictions	<u>\$ 0</u>	<u>\$ 10,000</u>
Total Net Assets Without Donor Restrictions Support and Revenue	<u>\$ 30,166,842</u>	<u>\$ 27,039,176</u>
EXPENSES:		
Program Services:		
Developmental Training	\$ 3,554,699	\$ 3,218,106
Supported Employment	197,978	204,388
Vocational Development	217,717	289,167
Transitional Services	44,194	26,294
Vocational Rehabilitation	130,963	96,583
Federal Contract Sites	21,564,130	18,747,566
Call Center	126,783	151,119
Supporting Services:		
General and Administration	4,833,294	7,900,785
Total Expenses	<u>\$ 30,669,758</u>	<u>\$ 30,634,008</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (502,916)	\$ (3,594,832)
NET ASSETS WITH DONOR RESTRICTION		
Net Assets released from restrictions	<u>\$ 0</u>	<u>\$ (10,000)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 0</u>	<u>\$ (10,000)</u>
CHANGE IN NET ASSETS	\$ (502,916)	\$ (3,604,832)
NET ASSETS, BEGINNING OF YEAR	<u>16,196,595</u>	<u>19,801,427</u>
NET ASSETS, END OF YEAR	<u>\$ 15,693,679</u>	<u>\$ 16,196,595</u>

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

CHALLENGE UNLIMITED, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ (502,916)	\$ (3,604,832)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	755,938	745,495
Loss (Gain) on Sale of Property and Equipment	213,971	(6,931)
Operating Lease Expense	1,826	
(Increase) Decrease in Assets:		
Accounts Receivable	138,066	(1,048,704)
Accounts Receivable-Related Organization	(20,536)	123,260
Accrued Income	(9,111)	26,478
Prepaid Expenses	(21,370)	105,131
Deposits	9,500	
Increase (Decrease) in Liabilities:		
Accounts Payable	(180,371)	97,659
Accrued Expenses	594,717	82,248
Deferred Income	(3,944)	(20,001)
Deferred Compensation	41,006	(30,862)
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,016,776</u>	<u>\$ (3,531,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	\$ (801,668)	\$ (298,656)
Purchase of Investments	(6,579,224)	(5,403,282)
Proceeds from Sale of Investments	5,905,864	5,397,553
Proceeds from Sale of Property and Equipment	26,755	11,000
Note Receivable Issued	(227,066)	(659,528)
Note Receivable Retired	194,422	300,000
Note Receivable Forgiven		3,278,552
Net Cash Provided (Used By) Investing Activities	<u>\$ (1,480,917)</u>	<u>\$ 2,625,639</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Borrowings	\$ 0	\$ (2,802)
Net Cash (Used By) Financing Activities	<u>\$ 0</u>	<u>\$ (2,802)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (464,141)	\$ (908,222)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,598,322</u>	<u>4,506,544</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,134,181</u>	<u>\$ 3,598,322</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>

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

CHALLENGE UNLIMITED, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023							GENERAL AND ADMINISTRATION		2023
	COMMUNITY DAY SERVICE	SUPPORTED EMPLOYMENT	VOCATIONAL DEVELOPMENT	TRANSITIONAL SERVICES	MO DVR SERVICES	FEDERAL CONTRACT SITES	CALL CENTER	TOTAL	ADMINISTRATION	TOTAL
Salaries and Wages	\$ 1,956,962	\$ 145,397	\$ 157,092	\$ 31,794	\$ 89,018	\$ 6,406,631	\$ 600	\$ 8,787,494	\$ 2,759,500	\$ 11,546,994
Employee Benefits	437,362	22,930	38,016	8,140	16,888	1,898,520	612	2,422,468	548,119	2,970,587
Client Wages and Benefits	14,366	146				7,415,525	125,524	7,555,561	(328)	7,555,233
Consultants and Contractual	26,296	6,479	3,272	5	14	391,572		427,638	466,288	893,926
Consumable Supplies	35,161	428	572	18	2,668	1,395,621		1,434,468	56,618	1,491,086
Occupancy	215,026	4,893	3,549	826	4,281	2,468,562	46	2,697,183	290,602	2,987,785
Transportation	374,198	8,379	6,151	3,332	8,293	303,907		704,260	55,613	759,873
Lease/Rent/Taxes	181,385	8,391	8,391		4,800	42,427		245,394	46,770	292,164
Bad Debt Expense									20,438	20,438
Miscellaneous Administration	34,280	935	674	79	2,957	856,619	1	895,545	500,189	1,395,734
Expenses Before Depreciation	\$ 3,275,036	\$ 197,978	\$ 217,717	\$ 44,194	\$ 128,919	\$ 21,179,384	\$ 126,783	\$ 25,170,011	\$ 4,743,809	\$ 29,913,820
Depreciation	279,663				2,044	384,746		666,453	89,485	755,938
Total Expenses	\$ 3,554,699	\$ 197,978	\$ 217,717	\$ 44,194	\$ 130,963	\$ 21,564,130	\$ 126,783	\$ 25,836,464	\$ 4,833,294	\$ 30,669,758

	2022							GENERAL AND ADMINISTRATION		2022
	COMMUNITY DAY SERVICE	SUPPORTED EMPLOYMENT	VOCATIONAL DEVELOPMENT	TRANSITIONAL SERVICES	MO DVR SERVICES	FEDERAL CONTRACT SITES	CALL CENTER	TOTAL	ADMINISTRATION	TOTAL
Salaries and Wages	\$ 1,712,327	\$ 147,213	\$ 201,034	\$ 17,570	\$ 60,823	\$ 5,700,524	\$ 3,861	\$ 7,843,352	\$ 2,548,401	\$ 10,391,753
Employee Benefits	437,767	34,381	57,821	5,005	11,761	1,540,580	224	2,087,539	532,598	2,620,137
Client Wages and Benefits	155,635					6,620,820	147,021	6,923,476	4,299	6,927,775
Consultants and Contractual	25,991	700	2,500	1	5	428,447		457,644	449,858	907,502
Consumable Supplies	51,614	1,362	2,998	36	2,903	1,128,400		1,187,313	77,749	1,265,062
Occupancy	213,225	4,964	4,174	752	3,589	1,735,408	15	1,962,127	175,366	2,137,493
Transportation	252,917	5,914	10,312	2,705	5,035	317,445		594,328	60,066	654,394
Lease/Rent/Taxes	104,279	8,235	8,235		4,800	41,741		167,290	45,341	212,631
Bad Debt Expense									3,276,222	3,276,222
Miscellaneous Administration	37,878	1,619	2,093	225	7,667	839,565	(2)	889,045	606,499	1,495,544
Expenses Before Depreciation and Amortization	\$ 2,991,633	\$ 204,388	\$ 289,167	\$ 26,294	\$ 96,583	\$ 18,352,930	\$ 151,119	\$ 22,112,114	\$ 7,776,399	\$ 29,888,513
Depreciation and Amortization	226,473					394,636		621,109	124,386	745,495
Total Expenses	\$ 3,218,106	\$ 204,388	\$ 289,167	\$ 26,294	\$ 96,583	\$ 18,747,566	\$ 151,119	\$ 22,733,223	\$ 7,900,785	\$ 30,634,008

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

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1. NATURE OF OPERATIONS

Challenge Unlimited, Inc. is an Illinois nonprofit corporation formed in 1960 which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Challenge Unlimited, Inc. provides job and life skills training, job placement services, and direct employment to people with all types of disabilities through the following programs:

Community Support

Program includes: 39U – Individual with Job Coach; SEP – Supported Employment

Assists individuals with disabilities in choosing, obtaining and retaining paid employment in integrated community-based settings. Ongoing support enables workers to achieve their highest level of independence.

Community Day Service

Program includes: 31U

Provides habitation services for individuals who are mentally, emotionally, and physically disabled. The program is divided into four components, which stress independence and community integration; Alternative Services, Work Services, Work Activity and Special Needs.

Vocational Development

Program includes: VOC – Vocational Development; BTXX-DHS – Transitional Services; Contract Sites

Direct employment provided for people with disabilities at contract sites. Job and life skills training offered to assess and enhance the vocation potential of an individual. On-the-job evaluation, interpersonal observation and interviews are used to measure progress.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by Challenge Unlimited, Inc.

Method of Accounting

The financial statements of the Organization are presented on the accrual basis of accounting.

Cash and Cash Equivalents

For the purpose of the statements of financial position and the statements of cash flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less, excluding amounts whose use is limited under loan indenture agreements, to be cash equivalents.

Investments

Investments are classified as available for sale and are reported at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Notes Receivable

Notes receivable is recorded net of an estimated allowance for doubtful accounts of \$0 and \$0 at June 30, 2023 and 2022, respectively. Interest is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded net of an estimated allowance for doubtful accounts of \$0 and \$3,877 at June 30, 2023 and 2022, respectively. The Organization provides for losses on accounts receivable using the allowance method. The allowance method is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Net Assets

Contributions received are recorded as an increase in net assets without donor restrictions and net assets with donor restrictions depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows.

Net Assets Without Donor Restrictions – Net Assets that are not subject to donor restrictions. Net Assets without donor restrictions of the Organization are primarily represented by program revenues and contributions.

Net Assets With Donor Restrictions– Net Assets that have not yet met donor restrictions or for which the ultimate purpose of the assets is a permanent restriction.

As of June 30, 2023 and 2022, the Organization had \$15,693,678 and \$16,196,595, respectively, in net assets without donor restrictions, of which, the board has designated \$7,664,210 and \$6,944,125, respectively, to be held as a 3 month operating reserve to help with cash flow management.

Functional Allocation of Expenses

The financial statements present expenses by functional classifications in accordance with the overall service mission of the organization. Each functional classification displays all expenses related to the underlying operation by natural classifications. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

In-kind Support

Donated materials are recorded as contributions at their estimated fair market values at date of receipt. Donated services are recorded as contributions only if an objective basis is available to measure the value of such services.

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Building, Equipment, and Depreciation

The Organization capitalized the cost of expenditures for land, buildings, leasehold improvement, and equipment in excess of \$2,500. Donated fixed assets are recorded based on the fair market value at the date of donation. Depreciation is computed using the straight-line method and is provided over the estimated useful lives of the assets. Leasehold improvements are depreciated over the lesser of their estimated useful lives or the remaining period of lease obligations and anticipated extension.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising expenses of the Organization are expensed as incurred.

Revenue Recognition and Revenue

Revenue is recognized when earned. Amounts received under government grants, and program service revenue are recorded as revenue in the financial statements when services are provided. Contributions are recognized when cash or other assets are received.

Reclassifications

Certain items in the financial statements for the prior year have been reclassified to conform to the current year presentation.

NOTE 3. FAIR VALUE MEASUREMENT

Fair Values of assets measured on a recurring basis at June 30, 2023 and 2022 are as follows:

		<u>Fair Value Measurements Using:</u>		
<u>June 30, 2023</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant in Active Markets For Similar Assets (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Money Market	\$ 109,509	\$ 109,509		
CD	6,048,328	6,048,328		
Stocks				
Consumer Cyclical	15,675	15,675		
Technology	46,693	46,693		
Exchange Traded Funds				
Miscellaneous	2,731	2,731		
Technology	5,639	5,639		
Blended	26,264	26,264		
Large Value	7,251	7,251		
Mutual Funds				
Target Date	5,919	5,919		
Growth	37,368	37,368		
Value	39,272	39,272		
Total	<u>\$ 6,344,649</u>	<u>\$ 6,344,649</u>	<u>\$ 0</u>	<u>\$ 0</u>

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3. FAIR VALUE MEASUREMENT (CONTINUED)

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Quoted Prices in Active Markets For Similar Assets (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money Market	\$ 631	\$ 631		
CD	5,415,974	5,415,974		
Stocks				
Consumer Cyclical	13,107	13,107		
Technology	31,921	31,921		
Exchange Traded Funds				
Miscellaneous	2,767	2,767		
Technology	5,124	5,124		
Blended	22,110	22,110		
Large Value	6,897	6,897		
Mutual Funds				
Target Date	18,447	18,447		
Growth	30,321	30,321		
Value	<u>123,990</u>	<u>123,990</u>		
Total	<u>\$ 5,671,289</u>	<u>\$ 5,671,289</u>	<u>\$ 0</u>	<u>\$ 0</u>

Accounting Standards Codification Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority with Level 3 inputs having the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

The fair values of the money market and CD are based on the cost of the money market fund or CD. The fair values of the mutual funds are valued at the net asset valuation based on quoted market prices in an active market. Exchange traded funds and stocks are valued at quoted market prices in active market for identical assets.

NOTE 4. CONCENTRATION OF CREDIT RISK

The Organization provides services primarily in Madison and St. Clair Counties in Illinois. The Organization grants credit without collateral to federal, state, and local government agencies, non-related non-profit organizations, and privately and publicly held for-profit organizations.

The Organization maintains their cash in bank deposit accounts at high credit quality financial institutions. Accounts at an institution are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2023 and 2022 cash deposits exceeded federally insured limits by \$766,610 and \$523,123 respectively.

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5. UNEMPLOYMENT PAYMENTS IN LIEU OF CONTRIBUTIONS

The Organization entered into an agreement with Futures in Rehabilitation Management (FIRM) to provide administration of direct payment of unemployment compensation claims in lieu of contributions to the Illinois Department of Employment Security (IDES).

Under the agreement, FIRM reimburses the state for the actual unemployment benefits paid claimants for which the Organization is liable. The Organization is liable for unemployment benefits paid for insured work incurred during the period the claimants are employed by the Organization.

Unemployment expenses during the period ended June 30, 2023 and 2022 were \$56,269 and \$26,549.

NOTE 6. RETIREMENT PLANS

The Organization has a qualified deferred compensation retirement plan. The Organization contributes 50% of eligible employees' elective deferrals up to a maximum of \$2,500 per employee for the years ended June 30, 2023 and 2022. The Organization's contribution for the years ended June 30, 2023 and 2022, were \$58,643 and \$79,902 respectively.

The Organization has a defined contribution plan which qualifies under Section 457(f) of the Internal Revenue Code. The Plan covers Executive Management. The contributions to the plan are discretionary. The Organization's contribution for the years ended June 30, 2023 and 2022 were \$24,000 and \$32,000, respectively.

NOTE 7. ACCOUNTS RECEIVABLE

At June 30, accounts receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Accounts Receivable:		
Trade –		
Government	\$ 3,081,571	\$ 3,379,690
Nongovernment	367,654	325,065
Department of Health and Human Services –		
Fees for Service – ROCS	184,110	121,126
Grants	51,224	22,390
SEP	33,320	12,581
DORS	100	270
Other –		
Private Pay	<u>4,164</u>	<u>2,964</u>
Total Accounts Receivable	\$ 3,722,143	\$ 3,864,086
Less Allowance for Doubtful Accounts	<u>0</u>	<u>(3,877)</u>
Net Accounts Receivable	<u>\$ 3,722,143</u>	<u>\$ 3,860,209</u>

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8. PROPERTY AND EQUIPMENT

At June 30, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 688,953	\$ 688,953
Land Improvements	31,930	31,930
Building and Improvements	10,020,740	9,907,485
Leasehold Improvements	24,415	396,643
Furniture and Equipment	2,701,068	2,755,127
Vehicles	3,550,340	3,093,991
Projects in Process	<u>15,000</u>	<u>22,541</u>
Total	\$17,032,446	\$16,896,670
Less Accumulated Depreciation	<u>(11,761,489)</u>	<u>(11,430,087)</u>
Net Property and Equipment	<u>\$ 5,270,957</u>	<u>\$ 5,466,583</u>

Depreciation expense for the year ended June 30, 2023 and 2022, was \$755,938 and \$745,495 respectively.

NOTE 9. NOTES RECEIVABLE

The Organization has a line of credit agreement for \$5,200,000 with another not for profit entity, which carries interest at 5%. Borrower shall pay interest and principal as the funds become available on the 30th day following each calendar quarter after July 1, 2018. The entire unpaid principal balance and accrued interest is payable on the maturity date of December 1, 2024. As of June 30, 2023, and 2022 the net carrying values of the note receivable are \$482,644 and \$450,000. A portion of the note was deemed uncollectible due to ceased production operations in April 2022 and \$3,276,222 of the note was written off for the year ended June 30, 2022.

NOTE 10. LEASES

The Organization leases a postage machine under an operating lease. The lease is for 5 years starting March 2021 and running until March 2026.

The Organization leases office space at 916 & 918 Missouri Avenue, St Roberts, MO under operating leases. The lease is for 5 years starting September 1, 2020 and running until September 1, 2025.

The Organization leases office space at 11830 Borman Drive, Maryland Heights, MO under operating leases. The lease is for 5 years starting May 1, 2018 and running until April 30, 2023. This lease was renewed in April of 2023 extending the lease for 5 years running until April 30, 2028. This lease includes a variable payment for monthly maintenance.

The Organization leases space in Swansea, IL from Oak Mesa Properties under an operating lease. The lease is for 6 years starting April 1, 2020 and running until April 1, 2026.

The Organization leases a water cooler under an operating lease. The lease is for 3 years starting May 2022 and running until April 2025.

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10. LEASES (CONTINUED)

The following summarizes the line items in the balance sheet which include amounts for operating leases as of June 30, 2023:

Operating Lease Right of Use Assets	\$ 669,375
Current Portion of Operating Lease Liabilities	\$ 159,239
Operating Lease Liabilities	<u>511,332</u>
Total Operating Lease Liabilities	<u>\$ 670,571</u>

The components of operating lease expense that are included in program expense in the statement of activities for the year ended June 30, 2023, were as follows:

Operating Lease Expense	\$ 175,865
Variable Lease Expense	<u>4,404</u>
Total	<u>\$ 180,269</u>

The following summarizes the cash flow information related to operating leases for the year ended June 30, 2023:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows for Operating Leases	<u>\$ 174,669</u>
Lease Assets Obtained in Exchange for Lease Liabilities	
Operating Leases	<u>\$ 824,254</u>

Other information related to operating leases as of and for the year ended June 30, 2023, was as follows:

Weighted Average Remaining Lease Term (in Years)	4.55
Weighted Average Discount Rate	2.84%

The maturities of operating lease liabilities subsequent to June 30, 2023, were as follows:

2024	\$ 175,842
2025	176,396
2026	138,238
2027	95,245
2028	89,312
Thereafter	<u>38,999</u>
Total Lease Payments	\$ 714,032
Less: Present Value Discount	<u>(43,461)</u>
Present Value of Lease Liability	<u>\$ 670,571</u>

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11. RELATED PARTY TRANSACTIONS

A former member of the board of directors provided legal services to Challenge Unlimited. The total amount paid to the board member for legal services for the years ended June 30, 2023 and 2022 was \$7,790 and \$72,000.

Challenge Unlimited is in year 8 of a 10 year consulting agreement with a former executive officer of the Organization. The former executive officer will be paid an annual sum of \$85,000 with a 3% increase every year. The total amount paid to the former executive for the year ended June 30, 2023 and 2022 was \$101,749 and \$97,777 respectively.

The Board of Directors and management of Challenge Unlimited, Inc. provides substantial oversight, management, and common directorship of Residential Options, Inc and Project CU, Inc.

Challenge Unlimited, Inc. provides management services, day training services, contract labor, food services, and leases facilities, equipment and group homes to Residential Options., Inc. Challenge Unlimited provides administrative services to Project CU, Inc.

A summary of transactions with related organizations is as follows:

	Residential Options, Inc.	Project CU, Inc.	Total	
			2023	2022
Revenue:				
Day Training	\$ 268,025		\$ 268,025	\$ 319,135
Management Fees	550,000	\$ 32,400	582,400	582,400
Contract Labor	153,070		153,070	191,632
Building Rental	405,624		405,624	422,424
Total Revenue	<u>\$ 1,376,719</u>	<u>\$ 32,400</u>	<u>\$ 1,409,119</u>	<u>\$ 1,515,591</u>
Accounts Receivable - Related	<u>\$ 193,964</u>	<u>\$ 22,884</u>	<u>\$ 214,742</u>	<u>\$ 194,206</u>
Accounts Payable- Related	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,688</u>

Summarized financial data of Residential Options, Inc. at June 30, 2023 and 2022 is as follows:

Statement of Financial Position

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 8,519,654	\$ 6,802,856
Other Assets	3,237,580	3,421,631
Net Property, Equipment, and Goodwill	<u>1,610,772</u>	<u>1,561,411</u>
Total Assets	<u>\$ 13,368,006</u>	<u>\$ 11,785,898</u>
Current Liabilities	\$ 970,059	\$ 905,811
Long-Term Liabilities	165,034	0
Total Net Assets	<u>12,232,913</u>	<u>10,880,087</u>
Total Liabilities and Net Assets	<u>\$ 13,368,006</u>	<u>\$ 11,785,898</u>

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11. RELATED PARTY TRANSACTIONS (CONTINUED)

<u>Statement of Activities</u>	<u>2023</u>	<u>2022</u>
Total Revenue	\$ 12,459,694	\$ 10,851,564
Total Expenses	<u>11,106,868</u>	<u>10,705,676</u>
Change in Net Assets	<u>\$ 1,352,826</u>	<u>\$ 145,888</u>

Summarized financial data of Project CU, Inc. at June 30, 2023 and 2022 is as follows:

<u>Statement of Financial Position</u>		
	<u>2023</u>	<u>2022</u>
Current Assets	\$ 830,551	\$ 796,821
Net Property, Equipment, and Goodwill	<u>1,526,079</u>	<u>1,580,335</u>
Total Assets	<u>\$ 2,356,630</u>	<u>\$ 2,377,156</u>
Current Liabilities	\$ 161,442	\$ 165,611
Long-Term Liabilities	904,492	963,661
Total Net Assets	<u>1,290,696</u>	<u>1,247,884</u>
Total Liabilities and Net Assets	<u>\$ 2,356,630</u>	<u>\$ 2,377,156</u>

<u>Statement of Activities</u>		
Total Revenue	\$ 1,787,652	\$ 1,917,447
Total Expenses	<u>1,744,840</u>	<u>1,740,248</u>
Change in Net Assets	<u>\$ 42,812</u>	<u>\$ 177,199</u>

NOTE 12. INCOME TAXES

The Organization applies the provisions of FASB Accounting Standards Codification 740, Income Taxes. The application of FASB Accounting Standards Codification 740 had no impact on the Organization's financial statements and accordingly, no interest or penalties were accrued. Management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the years ended June 30, 2023 and 2022, and, accordingly, there is no liability for unrecognized tax benefit.

The Organization files tax returns in all appropriate jurisdictions. The open tax years are those years ending June 30, 2020 through June 30, 2023. The June 30, 2023 tax return has not been filed as of the date of this report.

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13. DONATED SERVICES AND ASSETS

In-kind grants included in the statement of activities are comprised of the following:

Program or Supporting Service	Donated Assets
Community Day Service	\$ 3,944

All donated assets were utilized by the Organization's community day service program. Donor imposed restrictions on the vehicles are that vehicle must be used for the useful life of the project as determined in accordance with IDOT guidelines. If it is not used as required by the terms of the agreements or is sold or otherwise disposed, vehicle must be transferred back to IDOT or remit the fair market value of the vehicle to IDOT. Donated assets are valued at estimated prices of identical or similar products.

NOTE 14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is primarily funded by program revenue. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization invests its cash in excess of daily needs in short-term investments. The Board of Directors designates amounts to its liquidity reserve that could be utilized in the event of an unanticipated liquidity need. The Organization's goal is to have financial assets on hand to cover 3 months of normal operating expenses.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2023</u>	<u>2022</u>
Financial assets, at year end:	\$ 13,211,370	\$ 13,151,334
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions		
Board Designations:		
Amounts set aside for liquidity reserve	(7,664,210)	(6,944,125)
Financial assets available to meet cash needs for general expenditures:		
Within one year:	\$ 5,547,160	\$ 6,207,209

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 15. NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 2022, the Organization adopted FASB ASC 842, Leases. FASB ASC 842, Leases, supersedes the lease requirements in FASB ASC 840. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized on a straight-line basis over the lease term.

The Organization elected to adopt FASB ASC 842, Leases, using the optional transition method that allows the Organization to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The adoption of FASB ASC 842, Leases, resulted in the recognition of \$824,254 of operating lease ROU assets and a total of \$824,254 of current and long-term operating lease liabilities on the balance sheet as of July 1, 2023. No cumulative effect adjustment to retained earnings as of July 1, 2022, was necessary. FASB ASC 842, Leases, did not have a significant effect on the results of operations or cash flows for the year ended June 30, 2023.

Leases

The Organization recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Organization is a lessee in a non-cancellable operating lease for office space. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate or a risk-free rate. The implicit rate of the Organization's lease is not readily determinable and accordingly, the Organization uses its incremental borrowing rate based on the information available at the commencement date for the lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

CHALLENGE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 15. NEW ACCOUNTING PRONOUNCEMENT (CONTINUED)

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

NOTE 16. COST ALLOCATION

The Financial Statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization first groups indirect or shared costs into various pools. These pools then have different ordering rules when determining which programs to allocate the expenses to. The Organization uses the indirect cost allocation method of 10% of total modified direct costs. The expenses that are allocated include, salaries and wages, employee benefits and payroll taxes, client wages and benefits, consultants and contractual, consumable supplies, occupancy, transportation, lease and rent, bad debt expense, depreciation, and administrative.

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated the effect of subsequent events through December 20, 2023. From this evaluation, there are no events identified that met the requirement for disclosure.

CHALLENGE UNLIMITED, INC.
 SCHEDULE OF PROGRAM REVENUES
 FOR THE YEAR ENDED JUNE 30, 2023

LINE #	PROGRAM 31U COMMUNITY DAY SERVICES	PROGRAM 31C COMMUNITY DAY SERVICES	PROGRAM 36U COMMUNITY DAY SERVICES	SEP SUPPORTED EMPLOYMENT	VOC. VOCATIONAL DEVELOPMENT	BTXX - DHS TRANSITIONAL SERVICES	MO.DVR SERVICES	FEDERAL CONTRACT SITES	CALL CENTER	ADMINISTRATIVE	TOTAL
FEES AND PURCHASES FOR SERVICES:											
5	\$ 1,628,757	\$ 108,437	\$ 985	\$ 598	\$ 2,790	\$ 0	\$ 28,362	\$ 0	\$ 0	\$ 0	\$ 1,769,929
6	908,762										908,762
12	38,135										38,135
	Total Fees and										
16	\$ 2,575,655	\$ 108,437	\$ 985	\$ 598	\$ 2,790	\$ 0	\$ 28,362	\$ 0	\$ 0	\$ 0	\$ 2,716,827
GRANT REVENUES:											
20											
21	\$ 170,853			\$ 159,934	\$ 255,380	\$ 30,972		\$ (390)			\$ 616,749
30	\$ 170,853	\$ 0	\$ 0	\$ 159,934	\$ 255,380	\$ 30,972	\$ 0	\$ (390)	\$ 0	\$ 0	\$ 616,749
CONTRIBUTIONS AND OTHER											
37	\$ 63,807			\$ 90	\$ 139			\$ 25,070,986	\$ 1,134,178	\$ 1,134,178	\$ 26,410,178
38	Rent Income								405,624	405,624	405,624
39	Gain (Loss) on Sale of Fixed Asset							2,130	3,255	3,255	(213,971)
40	Cafeteria and Vending Machine										
41	Other	3,915		7,182	3,105			14,389	12,669	12,669	41,260
42	Total Contributions and Other	\$ (151,634)	\$ 0	\$ 7,272	\$ 3,244	\$ 0	\$ 0	\$ 25,087,505	\$ 1,555,726	\$ 1,555,726	\$ 26,643,091
INVESTMENT INCOME											
44	Interest							\$ 1,800		\$ 188,375	\$ 190,175
45	Total Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,800	\$ 0	\$ 188,375	\$ 190,175
47	TOTAL REVENUES	\$ 2,594,874	\$ 108,437	\$ 985	\$ 167,804	\$ 30,972	\$ 28,362	\$ 25,088,915	\$ 140,978	\$ 1,744,101	\$ 30,166,842

CHALLENGE UNLIMITED, INC.
SCHEDULE OF PROGRAM COSTS
FOR THE YEAR ENDED JUNE 30, 2023

LINE #	PROGRAM 31U COMMUNITY DAY SERVICES	PROGRAM 31C COMMUNITY DAY SERVICES	SEP SUPPORTED EMPLOYMENT	VOC. VOCATIONAL DEVELOPMENT	BTXX - DHS TRANSITIONAL SERVICES	MO DVR SERVICES	FEDERAL CONTRACT SITES	CALL CENTER	ADMINISTRATIVE	TOTAL
PROGRAM EXPENSES:										
1	\$ 977,708	\$ 62,407	\$ 117,567	\$ 126,486	\$ 25,581	\$ 70,609	\$ 5,876,921	\$ 600	\$ 277,629	\$ 7,535,508
3	319,571	20,398	17,189	31,703	6,861	13,091	1,786,704	612	57,862	2,253,991
4	24,384	1,556	6,458	3,249			391,572		23,046	450,265
5	13,504	862	146				7,415,525	125,524	(328)	7,555,233
6	1,087	69					1,269		1,003	3,428
7	28,173	1,798	164	158		141	1,260,482		6,627	1,297,543
8	18,170	1,164	5,392	3,691	3,165	5,373	35,811			72,766
9	743,746	47,473	2,239	1,638		2,425	241,878		19,122	1,058,521
11	476	33		23	4	278	798			1,612
14	19,694	1,255	3,184	2,645	481	987	40,174			68,420
16			(14)				36,382			36,368
17	\$ 2,146,513	\$ 137,015	\$ 152,325	\$ 169,593	\$ 36,092	\$ 92,904	\$ 17,087,516	\$ 126,736	\$ 384,961	\$ 20,333,655
OCCUPANCY EXPENSES:										
26	\$ 180,847	\$ 11,537	\$ 1,557	\$ 741	\$ 311	\$ 3,194	\$ 2,482,894	\$ 46	\$ 246,284	\$ 2,927,411
27	85,010	5,426				2,044	186,915		14,928	294,323
28	177,873	11,354					197,832		74,556	461,615
29							9,662			9,662
30	170,481	10,904	8,391	8,391		4,800	42,427		45,574	290,968
31	3,642	232		45			23,739		3,314	30,972
35	\$ 617,853	\$ 39,453	\$ 9,948	\$ 9,177	\$ 311	\$ 10,038	\$ 2,943,469	\$ 46	\$ 384,656	\$ 4,014,951
ADMINISTRATIVE AND OFFICE EXPENSES										
36	\$ 221,940	\$ 14,166	\$ 13,913	\$ 15,300	\$ 3,106	\$ 9,203	\$ 529,710		\$ 2,889,585	\$ 3,696,923
37	45,296	2,891	2,840	3,123	632	1,879	111,238		571,892	739,791
38							768,682		289,801	1,058,483
39			53	53	12	35	2,380		46,310	48,843
40	9,503	607	252	347		2,595	32,327		47,311	92,942
41	286,576		16,806	21,945	2,764	6,769	1,770,276		(2,105,136)	0
42	15,342	986	855	524	59	2,494	88,809		575,100	684,170
43	\$ 578,657	\$ 18,650	\$ 34,719	\$ 41,292	\$ 6,573	\$ 22,975	\$ 3,303,422	\$ 1	\$ 2,314,863	\$ 6,321,152
44	\$ 3,343,023	\$ 195,118	\$ 196,992	\$ 220,062	\$ 42,976	\$ 125,917	\$ 23,334,407	\$ 126,783	\$ 3,084,480	\$ 30,669,758
LESS, NON-REIMBURSABLE EXPENSES										
47	\$ 616,032	\$ (17)	\$ 126	\$ 126	\$ 0	\$ 0	\$ 23,323,810		\$ 82,308	\$ 24,022,385
48	\$ 616,032	\$ (17)	\$ 126	\$ 126	\$ 0	\$ 0	\$ 23,323,810	\$ 0	\$ 82,308	\$ 24,022,385
49	\$ 2,726,991	\$ 195,135	\$ 196,866	\$ 219,936	\$ 42,976	\$ 125,917	\$ 10,597	\$ 126,783	\$ 3,002,172	\$ 6,647,373



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON

December 20, 2023

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Challenge Unlimited, Inc.
Alton, IL

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Challenge Unlimited, Inc (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2023.

Our opinion was qualified because the financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated, except for the effects that the financial statements do not present the combined results of activities or financial position with Residential Options, Inc. and Project CU, Inc., which have a significant managerial and financial relationship with Challenge Unlimited, Inc.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Challenge Unlimited, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Challenge Unlimited Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Challenge Unlimited, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Alton, Illinois