

Form 990

Return of Organization Exempt From Income Tax

2000

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation), section 527 or section 4947(a)(1) nonexempt charitable trust

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2000 calendar year, or tax year period beginning 7/01, 2000, and ending 6/30, 2001

- B** Check if applicable
- Change of address
 - Change of name
 - Initial return
 - Final return
 - Amended return

Please use IRS label or print or type. See Specific Instructions

C
CHALLENGE UNLIMITED, INC.
#4 EMMIE KAUS LANE
ALTON, IL 62002

D Employer identification number

37-0805566

E Telephone number

618-465-0044

F Check if application pending

G Organization type (check only one) 501(c)(3) (insert no) 527 OR 4947(a)(1)

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ)

J Accounting method Cash Accrual Other (specify)

K Check here if the organization's gross receipts are normally not more than \$25,000

The organization need not file a return with the IRS but if the organization received a Form 990 Package in the mail, it should file a return without financial data

Some states require a complete return

Note H and I are not applicable to section 527 orgs

H(a) Is this a group return filed for affiliates? Yes No

H(b) If "Yes," enter number of affiliates

H(c) Are all affiliates included? Yes No

(if "No" attach a list See instructions)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Enter 4-digit group exemption no (GEN)

L Check this box if the organization is not required to attach Schedule B (Form 990 or 990-EZ)

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Specific Instructions on page 16)

1 Contributions, gifts, grants, and similar amounts received				
a Direct public support	1a	65,489		
b Indirect public support	1b			
c Government contributions (grants)	1c	2,988,503		
d Total (add lines 1a through 1c) (cash \$ <u>3,053,992</u> noncash \$ _____)	1d			3,053,992
2 Program service revenue including government fees and contracts (from Part VII, line 93)	2			13,882,857
3 Membership dues and assessments	3			
4 Interest on savings and temporary cash investments	4			83,553
5 Dividends and interest from securities	5			
6a Gross rents	6a			
b Less rental expenses	6b			
c Net rental income or (loss) (subtract line 6b from line 6a)	6c			
7 Other investment income (describe _____)	7			
		(A) Securities	(B) Other	
8a Gross amount from sales of assets other than inventory	8a		3,000	
b Less cost or other basis and sales expenses	8b			
c Gain or (loss) (attach schedule)	8c		3,000	
d Net gain or (loss) (combine line 8c columns (A) and (B))	8d			3,000
9 Special events and activities (attach schedule)				See Statement 1
a Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a		1,083	
b Less direct expenses other than fundraising expenses	9b			
c Net income or (loss) from special events (subtract line 9b from line 9a)	9c			1,083
10a Gross sales of inventory, less returns and allowances	10a			
b Less cost of goods sold	10b			
c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c			
11 Other revenue (from Part VII, line 103)	11			25,437
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12			17,049,922
13 Program services (from line 44, column (B))	13			14,217,814
14 Management and general (from line 44, column (C))	14			2,279,146
15 Fundraising (from line 44, column (D))	15			2,907
16 Expenses for affiliates (attach schedule)	16			
17 Total expenses (add lines 16 and 44 column (A))	17			16,499,867
18 Excess or (deficit) for the year (subtract line 17 from line 12)	18			550,055
19 Net assets or fund balances at beginning of year (from line 73, column (A))	19			1,734,990
20 Other changes in net assets or fund balances (attach explanation)	20			
21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21			2,285,045

SCANNED JAN 30 2002

REVENUES

EXPENSES

RECEIVED
JAN 20 2002
OGDEN, UT

7g-14

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See Specific Instructions on page 20.)

Do not include amounts reported on line 6b, 8b, 9b, 10b or 16 of Part I	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (att sch) (cash \$ _____ non cash \$ _____)	22			
23 Specific assistance to individuals (att sch)	23			
24 Benefits paid to or for members (att sch)	24			
25 Compensation of officers, directors, etc	25	541,347	541,347	
26 Other salaries and wages	26	6,792,236	6,346,285	445,951
27 Pension plan contributions	27	122,259	83,918	38,341
28 Other employee benefits	28	1,209,682	1,123,167	86,515
29 Payroll taxes	29	613,752	534,481	79,271
30 Professional fundraising fees	30			
31 Accounting fees	31	19,800		19,800
32 Legal fees	32	37,493		37,493
33 Supplies	33	850,446	773,200	77,246
34 Telephone	34	104,561	75,994	28,567
35 Postage and shipping	35	12,056	993	11,063
36 Occupancy	36	435,020	370,601	64,419
37 Equipment rental and maintenance	37	21,006	3,738	17,268
38 Printing and publications	38	4,312	1,452	2,860
39 Travel	39	91,191	69,151	22,040
40 Conferences, conventions, and meetings	40	6,313	3,061	3,252
41 Interest	41	460,841	149,845	310,996
42 Depreciation depletion, etc (attach schedule)	42	397,765	185,833	211,932
43 Other expenses (itemize) a Statement 2	43a	4,779,787	4,496,095	280,785
b	43b			
c	43c			
d	43d			
e	43e			
44 Total functional expenses (add lines 22 thru 43) Organizations completing columns (B)-(D), carry these totals to lines 13 - 15.	44	16,499,867	14,217,814	2,279,146

Reporting of Joint Costs Did you report in column (B) (Program services) any joint costs from a combined educational campaign and fundraising solicitation? Yes No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to Program services \$ _____, (iii) the amount allocated to Management and general \$ _____, and (iv) the amount allocated to Fundraising \$ _____.

Part III Statement of Program Service Accomplishments (See Specific Instructions on page 23)

What is the organization's primary exempt purpose? PROVIDING SERVICE TO DISABLED	Program Service Expenses (Required for 501(c)(3) and (4) orgs and 4947(a)(1) trusts but optional for others)
a See Statement 3	
(Grants and allocations \$ 2,988,503)	14,217,814
b	
(Grants and allocations \$)	
c	
(Grants and allocations \$)	
d	
(Grants and allocations \$)	
e Other program services (attach schedule) (Grants and allocations \$)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	14,217,814

Part IV Balance Sheets (See Specific Instructions on page 23)

Note		Where required, attached schedules and amounts within the description column should be for end-of-year amounts only		(A) Beginning of year		(B) End of year
ASSETS	45	Cash - non-interest-bearing			45	
	46	Savings and temporary cash investments		605,193	46	933,047
	47a	Accounts receivable	47a 2,892,491			
		b Less allowance for doubtful accounts	47b 415,649	2,734,422	47c	2,476,842
	48a	Pledges receivable	48a		48c	
		b Less allowance for doubtful accounts	48b			
	49	Grants receivable			49	
	50	Receivables from officers, directors, trustees, and key employees (attach sch)			50	
	51a	Other notes and loans receivable (attach schedule)	51a 1,090,078			
		b Less allowance for doubtful accounts	51b	1,092,845	51c	1,090,078
	52	Inventories for sale or use			52	
	53	Prepaid expenses and deferred charges		101,128	53	202,660
	54	Investments - securities (attach schedule)	<input checked="" type="checkbox"/> Cost <input type="checkbox"/> FMV	20,000	54	20,000
	55a	Investments - land, buildings, and equipment basis	55a			
		b Less accumulated depreciation (attach schedule)	55b		55c	
56	Investments - other (attach schedule)		1,958,117	56	1,969,828	
57a	Land, buildings, and equipment basis	57a 8,446,090				
	b Less accumulated depreciation (attach schedule) Stmt 4	57b 3,243,469	5,325,147	57c	5,202,621	
58	Other assets (describe ▶ See Statement 5)		259,218	58	240,879	
59	Total assets (add lines 45 through 58) (must equal line 74)		12,096,070	59	12,135,955	
LIABILITIES	60	Accounts payable and accrued expenses		2,258,508	60	2,009,936
	61	Grants payable			61	
	62	Deferred revenue		1,183	62	
	63	Loans from officers directors, trustees and key employees (attach schedule)			63	
	64a	Tax-exempt bond liabilities (attach schedule) See Statement 6		6,665,000	64a	6,295,000
		b Mortgages and other notes payable (attach schedule) See Statement 7		914,590	64b	927,611
	65	Other liabilities (describe ▶ See Statement 8)		521,799	65	618,363
66	Total liabilities (add lines 60 through 65)		10,361,080	66	9,850,910	
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74					
	67	Unrestricted		1,734,990	67	2,285,045
	68	Temporarily restricted			68	
	69	Permanently restricted			69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74					
	70	Capital stock, trust principal, or current funds			70	
	71	Paid in or capital surplus, or land, building, and equipment fund			71	
	72	Retained earnings endowment, accumulated income, or other funds			72	
	73	Total net assets or fund balances (add lines 67 through 69 OR lines 70 through 72, column (A) must equal line 19 and column (B) must equal line 21)		1,734,990	73	2,285,045
	74	Total liabilities and net assets/fund balances (add lines 66 and 73)		12,096,070	74	12,135,955

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III the organization's programs and accomplishments.

Part VI Other Information (See Specific Instructions on page 26)		N/A	Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes	77		X
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a		X
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	N/A	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79		X
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X	
b	If "Yes," enter the name of the organization See Statement 10 and check whether it is <input checked="" type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt			
81a	Enter the amount of political expenditures, direct or indirect, as described in the instructions for line 81	81a	0	
b	Did the organization file Form 1120-POL for this year?	81b		X
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II (See instructions for reporting in Part III)	82b	N/A	
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	X	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	N/A	
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?	85a	N/A	
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year	85b	N/A	
c	Dues, assessments, and similar amounts from members	85c	N/A	
d	Section 162(e) lobbying and political expenditures	85d	N/A	
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	N/A	
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A	
g	Does the organization elect to pay the section 6033(e) tax on the amount in 85f?	85g	N/A	
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount in 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	N/A	
86	501(c)(7) organizations Enter			
a	Initiation fees and capital contributions included on line 12	86a	N/A	
b	Gross receipts, included on line 12, for public use of club facilities	86b	N/A	
87	501(c)(12) organizations Enter			
a	Gross income from members or shareholders	87a	N/A	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	87b	N/A	
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 30.7701-3? If "Yes" complete Part IX	88		X
89a	501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 <u>0</u> , section 4912 <u>0</u> , section 4955 <u>0</u>			
b	501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b		X
c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶ <u>0</u>			
d	Enter Amount of tax in 89c above, reimbursed by the organization ▶ <u>0</u>			
90a	List the states with which a copy of this return is filed ILLINOIS			
b	Number of employees employed in the pay period that includes March 12, 2000 (See instructions)	90b	790	
91	The books are in care of WAYNE SCOTT Telephone no 618-465-0044 Located at #4 EMMIE L KAUS LANE, ALTON IL ZIP code 62002			
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the tax year ▶ <u>92</u>	N/A <input type="checkbox"/> N/A		

Part VII Analysis of Income-Producing Activities (See Specific Instructions on page 30)

Enter gross amounts unless otherwise indicated	Unrelated business income		Excluded by section 512, 513, or 514		(E)
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	Related or exempt function income
93 Program service revenue					
a See Statement 11					13,882,857
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash investments			14	83,553	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain/loss from sales of assets other than inventory					3,000
101 Net income or (loss) from special events			1	1,083	
102 Gross profit or (loss) from sales of inventory					
103 Other revenue a MISCELLANEOUS			1	25,437	
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))				110,073	13,885,857
105 Total (add line 104, columns (B), (D), and (E))					13,995,930

Note Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See Specific Instructions on page 31)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
	See Statement 12

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See Specific Instructions on page 31)

(A) Name, address and EIN of corporation, partnership or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See Specific Instructions on page 31)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note If "Yes" to (b) file Form 8870 and Form 4720 (see instructions)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, the information on this return and the information on which the tax liability of preparer (other than officer) is based on all information of which preparer has knowledge.

01-08-02
Date

WAYNE J SCOTT
Executive Vice President of Finance
Type or print name and title

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

OMB No 1545-0047

2000

Department of the Treasury
Internal Revenue Service

Supplementary Information - (See separate instructions.)

▶ **Must be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization

CHALLENGE UNLIMITED, INC.

Employer identification number

37-0805566

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See page 1 of the instructions List each one If there are none, enter "None")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
None				
Total number of other employees paid over \$50,000 ▶		0		

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 1 of the instructions List each one (whether individuals or firms) If there are none, enter "None")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
None		
Total number of others receiving over \$50,000 for professional services ▶	0	

Part III Statements About Activities	Yes	No
<p>1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ N/A Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI A. Other organizations checking "Yes," must complete Part VI B AND attach a statement giving a detailed description of the lobbying activities</p>	1	X
<p>2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any of its trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:</p>		
a Sale, exchange, or leasing of property?	2a	X
b Lending of money or other extension of credit?	2b	X
c Furnishing of goods, services, or facilities?	2c	X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1 000)?	2d	X
e Transfer of any part of its income or assets? If the answer to any question is "Yes," attach a detailed statement explaining the transactions	2e	X
3 Does the organization make grants for scholarships, fellowships, student loans, etc.?	3	X
4a Do you have a section 403(b) annuity plan for your employees?	4a	X
b Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs qualify to receive payments. (See page 2 of the instructions.)		

Part IV Reason for Non-Private Foundation Status (See pages 2 through 5 of the instructions.)

The organization is not a private foundation because it is (Please check only **ONE** applicable box.)

5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)

6 A school Section 170(b)(1)(A)(ii) (Also complete Part V, page 5.)

7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)

8 A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)

9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) **Enter the hospital's name, city, and state**
▶ _____

10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A.)

11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A.)

11b A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A.)

12 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions--subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A.)

13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4) (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3).)

Provide the following information about the supported organizations (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) **Use cash method of accounting**

Note You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 1999	(b) 1998	(c) 1997	(d) 1996	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants See line 28)	2,902,010	2,807,469	2,602,732	1,058,231	9,370,442
16 Membership fees received					
17 Gross receipts from admissions merchandise sold or services performed or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable etc purpose	14,102,992	13,957,487	11,540,031	11,464,778	51,065,288
18 Gross income from interest dividends amounts received from payments on securities (section 512(a)(5)) rents royalties and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30 1975	82,236	41,107	110,400	159,423	393,166
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income Attach a sch Do not include gain or (loss) from sale of capital assets See St 13	32,777	15,325	6,088	115,126	169,316
23 Total of lines 15 through 22	17,120,015	16,821,388	14,259,251	12,797,558	60,998,212
24 Line 23 minus line 17	3,017,023	2,863,901	2,719,220	1,332,780	9,932,924
25 Enter 1% of line 23	171,200	168,214	142,593	127,976	
26 Organizations described on lines 10 or 11	a Enter 2% of amount in column (e), line 24				26a 198,658
b Attach a list (which is not open to public inspection) showing the name of and amount contributed by each person (other than a government unit or publicly supported organization) whose total gifts for 1996 through 1999 exceeded the amount shown in line 26a Enter the sum of all these excess amounts					26b
c Total support for section 509(a)(1) test Enter line 24, column (e)					26c 9,932,924
d Add Amounts from column (e) for lines	18 393,166	19			26d 562,482
	22 169,316	26b			26e 9,370,442
e Public support (line 26c minus line 26d total)					26e 9,370,442
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 94 34%
27 Organizations described on line 12	a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," attach a list (which is not open to public inspection) to show the name of, and total amounts received in each year from, each "disqualified person" Enter the sum of such amounts for each year N/A				
	(1999)	(1998)	(1997)	(1996)	
b For any amount included in line 17 that was received from a nondisqualified person, attach a list to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000 (Include in the list organizations described in lines 5 through 11, as well as individuals) After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of all these differences (the excess amounts) for each year	(1999)	(1998)	(1997)	(1996)	
c Add Amounts from column (e) for lines	15	16			27c
	17	20	21		
d Add Line 27a total and line 27b total					27d
e Public support (line 27c total minus line 27d total)					27e
f Total support for section 509(a)(2) test Enter amount on line 23, column (e)					27f
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h %

28 Unusual Grants For an organization described in line 10, 11, or 12 that received any unusual grants during 1996 through 1999 attach a list (which is not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant Do not include these grants in line 15 (See page 5 of the instructions)

Part V. Private School Questionnaire (See page 5 of the instructions)
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

N/A

- 29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter bylaws, other governing instrument, or in a resolution of its governing body?
- 30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?
- 31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves?
 If "Yes " please describe, if "No " please explain (If you need more space, attach a separate statement)

	Yes	No
29		
30		
31		

- 32 Does the organization maintain the following
 - a Records indicating the racial composition of the student body, faculty, and administrative staff?
 - b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?
 - c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs and scholarships?
 - d Copies of all material used by the organization or on its behalf to solicit contributions?
 If you answered "No" to any of the above please explain (If you need more space, attach a separate statement)

32a		
32b		
32c		
32d		

- 33 Does the organization discriminate by race in any way with respect to

- a Students rights or privileges?
- b Admissions policies?
- c Employment of faculty or administrative staff?
- d Scholarships or other financial assistance?
- e Educational policies?
- f Use of facilities?
- g Athletic programs?
- h Other extracurricular activities?

33a		
33b		
33c		
33d		
33e		
33f		
33g		
33h		

If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)

- 34a Does the organization receive any financial aid or assistance from a governmental agency?
- b Has the organization's right to such aid ever been revoked or suspended?
 If you answered "Yes" to either 34a or b, please explain using an attached statement

34a		
34b		

- 35 Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation

35		
----	--	--

Schedule B
(Form 990 or 990-EZ)

Schedule of Contributors

OMB No 1545-0047

2000

Department of the Treasury
Internal Revenue Service

Supplementary Information for line 1d of Form 990 or
line 1 of Form 990-EZ (see instructions)

Name of organization

CHALLENGE UNLIMITED, INC

Employer identification number

37-0805566

Organization type (check one) Section

- 501(c)(3) ◀ (enter number), 527 or
 4947(a)(1) nonexempt charitable trust

A Section 501(c)(7), (8), or (10) organizations - Check this box if the organization had **no** charitable contributors who contributed more than \$1,000 during the year (But see **General rule** below) ▶

Enter here the total gifts received during the year for a religious, charitable, etc., purpose ▶ \$

Note: This form is generally not open to public inspection except for section 527 organizations

KFA For Paperwork Reduction Act Notice, see page 1 of the Instructions for Form 990 and Form 990-EZ Schedule B (Form 990 or 990-EZ) (2000)

Name of organization

Employer identification number

CHALLENGE UNLIMITED, INC

37-0805566

Part I Contributors

(a) No	(b) Name, address and zip code	(c) Aggregate contributions	(d) Type of contribution
1		\$ 2,752,903	Individual <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution)
2		\$ 235,600	Individual <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution)
---		\$ _____	Individual <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution)
---		\$ _____	Individual <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution)
---		\$ _____	Individual <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution)
---		\$ _____	Individual <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution)

Name of organization

Employer identification number

CHALLENGE UNLIMITED, INC

37-0805566

Part II Noncash Property

(a) No from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
---	_____ _____ _____	\$ _____	_____
---	_____ _____ _____	\$ _____	_____
---	_____ _____ _____	\$ _____	_____
---	_____ _____ _____	\$ _____	_____
---	_____ _____ _____	\$ _____	_____
---	_____ _____ _____	\$ _____	_____
---	_____ _____ _____	\$ _____	_____
---	_____ _____ _____	\$ _____	_____

Name of organization

Employer identification number

CHALLENGE UNLIMITED, INC

37-0805566

Part III Section 501(c)(7), (8), or (10) organizations that received more than \$1,000 in charitable gifts during the year-

Enter the total gifts that were from contributors who gave \$1,000 or less during the year for a religious, charitable, etc., purpose (see instructions)

\$

(a) No from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and zip code	Relationship of transferor to transferee

(a) No from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and zip code	Relationship of transferor to transferee

(a) No from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and zip code	Relationship of transferor to transferee

(a) No from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and zip code	Relationship of transferor to transferee

CHALLENGE UNLIMITED, INC.

37-0805566

Statement 1
Form 990, Part I, Line 9
Net Income (Loss) from Special Events

Special Events:

- A) GOLF TOURNAMENT
- B)
- C)
- Other:

Special Events	A	B	C	Other	Total
Gross Receipts	\$ 1,083			0	1,083
Less: Contributions	0			0	0
Gross Revenue	1,083			0	1,083
Less: Direct Expenses	0			0	0
Net Income (Loss)	\$ 1,083			0	1,083

Statement 2
Form 990, Part II, Line 43
Other Expenses

Other Expenses	(A) Total	(B) Program Services	(C) Management & General	(D) Fundraising
ADVERTISING	\$ 5,773	1,790	3,983	
BAD DEBT	18,000		18,000	
BOOKS & SUPPLIES	65	65		
COMMISSIONS	378,809	378,809		
CONSULTANTS & CONTRACTUAL	3,437,621	3,430,013	7,608	
CONVICTION INFO	3,241	955	2,286	
DUES	33,696	535	33,161	
GENERAL INSURANCE	20,669	16,727	3,942	
INCENTIVE PROGRAM	16,512	8,551	7,961	
LICENSES & FEES	1,210	490	720	
MISC	17,524	6,868	10,656	
OTHER	3,757		850	2,907
OTHER INSURANCE	56,994	1,697	55,297	
PAGER	7,700	6,691	1,009	
PROPERTY INSURANCE	17,250	13,959	3,291	
PUBLIC RELATIONS	38,420	2,461	35,959	
RECRUITING	10,578	6,987	3,591	
REFERENCE MATERIAL	5,992	1,473	4,519	
SEMINARS & CLASSES	35,657	10,028	25,629	
SERVICE CHARGES	19,690	3,042	16,648	
SMALL EQUIPMENT	10,819	10,263	556	
SUBSCRIPTIONS	4,649	917	3,732	
TRAINING	9,967	154	9,813	

CHALLENGE UNLIMITED, INC

37-0805566

Statement 2 (continued)
Form 990, Part II, Line 43
Other Expenses

Other Expenses	(A) Total	(B) Program Services	(C) Management & General	(D) Fundraising
TRANSPORTATION FEES	\$ 386,437	386,437		
UNIFORM RENTAL	13,253	13,253		
UNIFORMS	20,792	20,619	173	
VEHICLE GAS & MAINTENANCE	195,372	190,269	5,103	
VEHICLE INSURANCE	51,829	46,893	4,936	
VEHICLE LEASE	23,838	11,580	12,258	
VEHICLE MISCELLANEOUS	-366,977	-367,251	274	
WORKERS COMP INSURANCE	300,650	291,820	8,830	
Total	<u>\$4,779,787</u>	<u>4,496,095</u>	<u>280,785</u>	<u>2,907</u>

Statement 3
Form 990, Part III, Line a
Statement of Program Service Accomplishments

Description	Grants and Allocations	Program Service Expenses
DEVELOPMENTAL TRAINING #31- PROVIDE EMPLOYMENT, SOCIAL, RECREATIONAL AND LIFE SKILLS TO SEVERELY DISABLED PEOPLE APPROXIMATELY 250 CLIENTS SERVED	\$ 2,055,644	2,018,014
VOCATIONAL DEVELOPMENT #32- PROVIDE DISABLED PEOPLE WITH AN ASSESSMENT OF ABILITIES AND A SKILLED TRAINING PROGRAM TO PREPARE THEM FOR EMPLOYMENT APPROXIMATELY 300 CLIENTS SERVED	662,164	11,978,048
COMMUNITY SUPPORT SERVICE #39- PROVIDE THE MENTALLY ILL WITH WORK AND ON THE JOB TRAINING IN ORDER TO PLACE THEM WITH EMPLOYERS AND REDUCE THE FREQUENCY OF PSYCHOLOGICAL HOSPITALIZATION. APPROXIMATELY 40 CLIENTS SERVED	240,643	176,822
PSYCHOSOCIAL REHABILITATION AND SUPPORT # 21 1 - pROVIDE WORK EXPERIENCES AND ON THE JOB TRAINING FOR PERSONS WITH MENTAL ILLNESS AT COMMUNITY WORK SITES TO ENHANCE THEIR POTENTIAL TO OBTAIN AND RETAIN EMPLOYMENT APPROXIMATELY 15 CLIENTS SERVED	30,052	44,930
	<u>\$ 2,988,503</u>	<u>14,217,814</u>

CHALLENGE UNLIMITED, INC

37-0805566

Statement 4
Form 990, Part IV, Line 57
Land, Buildings, and Equipment

Asset	Basis	Accum Deprec	Book Value
Automobiles / transportation equip	\$ 590,651	364,068	226,583
Furniture and fixtures	666,865	417,142	249,723
Buildings	6,226,306	2,130,852	4,095,454
Improvements	558,665	331,407	227,258
Land	403,603		403,603
Total	<u>\$ 8,446,090</u>	<u>3,243,469</u>	<u>5,202,621</u>

Statement 5
Form 990, Part IV, Line 58
Other Assets

	Ending
UNAMORTIZED LOAN DISCOUNTS AND COSTS	\$ 240,879
Total	<u>\$ 240,879</u>

Statement 6
Form 990, Part IV, Line 64a
Tax-Exempt Bond Liabilities

	Balance Due
Purpose of Issue:	IL DEVELOPMENT FINANCE AUTH
Issue Date	1/01/90
Original Issue Amount	7,000,000
Bond Retirement Date	1/01/10
Outstanding Issue Amount.	\$ 1,120,000
Purpose of Issue:	IL DEVELOPMENT FINANCE AUTH
Issue Date	1/01/95
Outstanding Issue Amount	120,000
Purpose of Issue:	IL DEVELOPMENT FINANCE AUTH
Issue Date	7/01/97
Original Issue Amount	5,890,000
Bond Retirement Date	7/01/15
Outstanding Issue Amount	5,055,000
Total	<u>\$ 6,295,000</u>

CHALLENGE UNLIMITED, INC.

37-0805566

Statement 7
Form 990, Part IV, Line 64b
Mortgages and Other Notes Payable

<u>Mortgages Payable</u>	<u>Balance Due</u>
FIRSTAR BANK	\$ 51,077
	<u>\$ 51,077</u>
<u>Other Notes Payable</u>	

Lender's Name	RESIDENTIAL OPTIONS	
Relationship of Lender:	COMMON BOARD OF DIRECTORS	
Date of Note	Various	
Repayment Terms.	DEMAND	
Interest Rate	5%	
Security Provided	NONE	
Purpose of Loan.	WORKING CAPITAL	
Original Amount	850,000	
Balance Due:		\$ 850,000

Lender's Name	FORD MOTOR CREDIT	
Date of Note	1/14/99	
Maturity Date	1/14/03	
Repayment Terms.	\$339. PER MONTH	
Interest Rate	0.9%	
Security Provided.	VEHICLE	
Purpose of Loan:	PURCHASE VEHICLE	
Desc of Consideration	VEHICLE	
Original Amount:	15,978	
Balance Due:		6,395

Lender's Name	FORD MOTOR CREDIT	
Relationship of Lender	NONE	
Repayment Terms:	622 PER MONTH	
Security Provided:	VEHICLE	
Purpose of Loan.	PURCHASE VEHICLE	
Original Amount:	24,500	
Balance Due:		20,139

	<u>\$ 876,534</u>
Total	<u>\$ 927,611</u>

Statement 8
Form 990, Part IV, Line 65
Other Liabilities

	<u>Ending</u>
RELATED ACCT PAYABLE - RES OPTIONS	\$ 618,363
Total	<u>\$ 618,363</u>

CHALLENGE UNLIMITED, INC.

37-0805566

Statement 9
Form 990, Part V
List of Officers, Directors, Trustees, and Key Employees

<u>Name and Address</u>	<u>Title & avg. Hrs/wk devoted</u>	<u>Comp</u>	<u>Employee Ben. Plan Contrib.</u>	<u>Expense Account/ Other</u>
J THOMAS MOEHN 5029 VALLEYVIEW DRIVE ALTON, IL 62002	PRESIDENT 40	\$ 133,145	0	0
LAURINE HAMM 2715 DOVE DRIVE FLORISSANT, MO 63031	VP DIRECTIONS 40	74,494	1,599	0
JIM KASTEN 600 MATHER ALTON, IL 62002	Director None	0	0	0
STEVE BRENEGAN 5711 SIR GAWAIN GODFREY, IL 62002	V-P MARKETING 40	61,230	3,540	0
WAYNE SCOTT 14856 MONDOUBLEAU FLORISSANT, MO 63034	VP FINANCE 40	62,358	3,514	0
GEORGE DAVIS 1417 WINTER LANE GODFREY, IL 62035	Treasurer None	0	0	0
JOHN GIBBONS 220 ST. LOUIS ST EDWARDSVILLE, IL 62025	GENERAL COUNSEL None	0	0	0
MARK JACOBSON 1006 LEXINGTON ESTATES GODFREY, IL 62035	DIRECTOR None	0	0	0
FLOYD RAGLIN 1212 ROCKSPRING TERRACE ALTON, IL 62002	Director None	0	0	0
ROSE GIBSON 816 FOXWOOD CIRCLE ALTON, IL 62002	Secretary None	0	0	0
DEBRA McMAHON 113 QUAIL RUN BETHALTO, IL 62010	VP HUMAN RES 40	52,789	3,133	0

CHALLENGE UNLIMITED, INC.

37-0805566

Statement 9 (continued)
Form 990, Part V
List of Officers, Directors, Trustees, and Key Employees

Name and Address	Title & avg. Hrs/wk devoted	Comp.	Employee Ben. Pln Contrib	Expense Account/ Other	
BRAD BECK 110 HODGE ALTON, IL 62002	VP RESIDENTIAL 40	\$ 53,231	3,150	0	
KRESCENE BECK 517 EAST FRANKLIN EDWARDSVILLE, IL 62025	VP RESIDENTIAL 40	51,346	3,068	0	
MIKE GONZALES 24 RIVIERA BRIGHTON, IL 62012	VP OPERATIONS 40	52,754	3,106	0	
DONALD SCHWAAB 2105 JEROME DRIVE GODFREY, IL 62035	President None	0	0	0	
STEVE JARRETT 935 PEARL STREET ALTON, IL 62002	TREASURER None	0	0	0	
ROLAND BANKS 528 DIVISION STREET ALTON, IL 62002	VICE CHAIRMAN None	0	0	0	
		Total	<u>\$ 541,347</u>	<u>21,110</u>	<u>0</u>

Statement 10
Form 990, Part VI, Line 80b
Related Organizations

Name of Organization	Exempt	Nonexempt
RESIDENTIAL OPTIONS, INC.	X	
SPECIALIZED PROFESSIONAL SERVICES, INC	X	

CHALLENGE UNLIMITED, INC.

37-0805566

Statement 11
Form 990, Part VII, Line 93
Program Service Revenue

<u>Program Service Revenue</u>	<u>(A) Bus. Code</u>	<u>(B) Amount</u>	<u>(C) Excl Code</u>	<u>(D) Amount</u>	<u>(E) Related/Exempt Funct Income</u>
CONTRACTUAL LABOR		\$ 0		\$ 0	\$ 569,591
DAY TRAINING/PRIVATE PAY		0		0	16,902
FOOD SERVICE INCOME		0		0	1,719,689
GROUNDSKEEPING INCOME		0		0	2,780,729
JANITORIAL INCOME		0		0	5,338,485
MAILROOM INCOME		0		0	56,958
MNGMNT FEE FROM 501C3'S		0		0	564,000
NA TRAINING		0		0	10,661
PARKING ATTENDANT INCOME		0		0	13,485
RECYCLING INCOME		0		0	490,668
REIMBURSABLE INCOME		0		0	147,965
RENT FROM RELT 501C3 ORG		0		0	761,760
RLTD 501C3 LABOR CHARGE		0		0	1,095,523
SHELF STOCKING INCOME		0		0	274,828
TRANSPORTATION INCOME		0		0	41,613
Total		<u>\$ 0</u>		<u>\$ 0</u>	<u>\$ 13,882,857</u>

Statement 12
Form 990, Part VIII
Relationship of Activities to the Accomplishment of Exempt Purposes

<u>Line #</u>	<u>Explanation of Activities</u>
93	<p>THE REVENUE IS GENERATED FROM SALES TO GOVERNMENTAL AGENCIES, NONPROFIT ORGANIZATIONS, AND FOR PROFIT ORGANIZATIONS THE SERVICES/PRODUCTS SOLD PROVIDE WORK ACTIVITY AND SKILLS TRAINING TO DISABLED AND MENTALLY HANDICAPPED INDIVIDUALS</p> <p>THE ORGANIZATION ALSO PROVIDES MANAGEMENT SERVICES TO RELATED ORGANIZATIONS WHICH PROVIDE JOB TRAINING, LIFE SKILLS AND RESIDENTIAL HOUSING TO DISABLED AND MENTALLY HANDICAPPED INDIVIDUALS</p> <p>THE ORGANIZATION ALSO OWNS RESIDENTIAL HOUSING UNITS WHICH ARE RENTED TO A RELATED NONPROFIT ORGANIZATION WHICH PROVIDES HOUSING TO THE DEVELOPMENTALLY DISABLED</p>
101	<p>ALL OF THE NET PROCEEDS FROM THE SPECIAL EVENT (GOLF TOURNAMENT) WERE USED TO ASSIST THE ORGANIZATION IN PROVIDING SERVICES TO THE DEVELOPMENTALLY DISABLED</p>

CHALLENGE UNLIMITED, INC.

37-0805566

Statement 13
Schedule A, Part IV-A, Line 22
Other Income

<u>Description</u>	<u>(a) 1999</u>	<u>(b) 1998</u>	<u>(c) 1997</u>	<u>(d) 1996</u>	<u>(e) Total</u>
MISCELLANEOUS	\$ 32,777	\$ 15,325	\$ 6,088	\$ 115,126	\$ 169,316
Total	<u>\$ 32,777</u>	<u>\$ 15,325</u>	<u>\$ 6,088</u>	<u>\$ 115,126</u>	<u>\$ 169,316</u>

RELATED PARTY TRANSACTION

The Board of Directors and management of Challenge Unlimited, Inc provides substantial oversight, management, and common directorship of Residential Options, Inc and Specialized Professional Services, Inc D B A Alpha Industries

Challenge Unlimited, Inc provides management services, day training services, contract labor, food services and leases facilities and group homes to Residential Options, Inc Challenge Unlimited, Inc subcontracts maintenance from Residential Options, Inc

Challenge Unlimited, Inc provided management services, temporary production workers, and leases facilities to Specialized Professional Services, Inc D B A Alpha Industries Challenge Unlimited, Inc contracts labor, professional services, and purchases supplies from Specialized Professional Services, Inc D B A Alpha Industries

A company owned by an officer of Challenge Unlimited Inc provided janitorial and maintenance supplies to the Organization Total commodities purchased for the year ended June 30, 2001, and 2000 were approximately \$239,617 and \$269,087 respectively

A summary of transactions with related organizations is as follows

	<u>Residential</u> <u>Options, Inc.</u>	<u>Specialized</u> <u>Professional</u> <u>Services, Inc.</u>	<u>Total</u> <u>2001</u>
Revenue			
Day Training	\$ 650,288		\$ 650,288
Laundry	-		-
Management Fees	348,000	\$ 216,000	564,000
Contract Labor	88,102	1,007,582	1,095,684
Building Rental	543,360	192,000	735,360
Food Services	13,348		13,348
Miscellaneous	826	-	826
Equipment Rental	2,468	7,311	9,779
Total Revenue	<u>1,646,392</u>	<u>1,422,893</u>	<u>3,069,285</u>
Expenses			
Janitorial Supplies		208	208
Equipment Repairs & Maintenance	33,159	13,560	46,719
Production	-	90,000	90,000
Interest Expense	42,500	-	42,500
Professional Services	-	-	-
Contract Labor	-	863,144	863,144
Transportation Fees	-	-	-
Miscellaneous Rehabilitation	-	1,129	1,129
Total Expenses	<u>75,659</u>	<u>968,041</u>	<u>1,043,700</u>
ACCOUNTS RECEIVABLE - RELATED	<u>82,578</u>	<u>\$ 1,007,500</u>	<u>1,090,078</u>
ACCOUNTS PAYABLE - RELATED	<u>618,363</u>		<u>618,363</u>
NOTES PAYABLE - RELATED	<u>\$ 850,000</u>		<u>\$ 850,000</u>