

ENVELOPE  
 POSTMARK DATE NOV 15 2005

Form **990**

# Return of Organization Exempt from Income Tax

OMB No 1545 0047

2004

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 **2004** calendar year, or tax year beginning **7/01**, 2004, and ending **6/30**, 2005

<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See specific instructions. <b>CHALLENGE UNLIMITED, INC.</b> <b>#4 EMMIE KAUS LANE</b> <b>ALTON, IL 62002</b>	<b>D</b> Employer Identification Number 37-0805566 <b>E</b> Telephone number 618-465-0044 <b>F</b> Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶
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• **Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).**

**H** and **I** are not applicable to section 527 organizations

**H (a)** Is this a group return 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** Group Exemption Number ▶

**M** Check  if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

**G** Web site: ▶ N/A

**J** Organization type (check only one) ▶  501(c) 3 (insert no)  4947(a)(1) or  527

**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.

**L** Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **20,212,392.**

**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances** (See instructions)

<b>1</b> Contributions, gifts, grants, and similar amounts received			
<b>a</b> Direct public support	<b>1a</b>	15,325.	
<b>b</b> Indirect public support	<b>1b</b>		
<b>c</b> Government contributions (grants)	<b>1c</b>	3,601,577.	
<b>d</b> Total (add lines 1a through 1c) (cash \$ 3,616,902. noncash \$ )	<b>1d</b>		3,616,902.
<b>2</b> Program service revenue including government fees and contracts (from Part VII, line 93)	<b>2</b>		16,416,408.
<b>3</b> Membership dues and assessments	<b>3</b>		
<b>4</b> Interest on savings and temporary cash investments	<b>4</b>		39,659.
<b>5</b> Dividends and interest from securities	<b>5</b>		
<b>6a</b> Gross rents	<b>6a</b>		
<b>b</b> Less: rental expenses	<b>6b</b>		
<b>c</b> Net rental income or (loss) (subtract line 6b from line 6a)	<b>6c</b>		
<b>7</b> Other investment income (describe )	<b>7</b>		
<b>8a</b> Gross amount from sales of assets other than inventory	(A) Securities	(B) Other	
<b>b</b> Less: cost or other basis and sales expenses	<b>8a</b>	23,475.	
<b>c</b> Gain or (loss) (attach schedule) <b>STATEMENT 1</b>	<b>8b</b>	1,228,582.	
<b>d</b> Net gain or (loss) (combine line 8c, columns (A) and (B))	<b>8c</b>	-1,205,107.	
<b>8d</b>			-1,205,107.
<b>9</b> Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>			
<b>a</b> Gross revenue (not including \$ of contributions reported on line 1a)	<b>9a</b>	9,091.	
<b>b</b> Less: direct expenses other than fundraising expenses	<b>9b</b>		
<b>c</b> Net income or (loss) from special events (subtract line 9b from line 9a)	<b>9c</b>	STATEMENT 2	9,091.
<b>10a</b> Gross sales of inventory, less returns and allowances	<b>10a</b>		
<b>b</b> Less: cost of goods sold	<b>10b</b>		
<b>c</b> Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	<b>10c</b>		
<b>11</b> Other revenue (from Part VII, line 103)	<b>11</b>		106,857.
<b>12</b> Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	<b>12</b>		18,983,810.
<b>13</b> Program services (from line 44, column (B))	<b>13</b>		17,078,397.
<b>14</b> Management and general (from line 44, column (C))	<b>14</b>		2,604,183.
<b>15</b> Fundraising (from line 44, column (D))	<b>15</b>		
<b>16</b> Payments to affiliates (attach schedule)	<b>16</b>		
<b>17</b> Total expenses (add lines 16 and 44, column (A))	<b>17</b>		19,682,580.
<b>18</b> Excess or (deficit) for the year (subtract line 17 from line 12)	<b>18</b>		-698,770.
<b>19</b> Net assets or fund balances at beginning of year (from line 73, column (A))	<b>19</b>		3,349,604.
<b>20</b> Other changes in net assets or fund balances (attach explanation)	<b>20</b>		
<b>21</b> Net assets or fund balances at end of year (combine lines 18, 19, and 20)	<b>21</b>		2,650,834.

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**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.

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	550,403.	550,403.	
26 Other salaries and wages	26	5,262,135.	4,743,709.	518,426.
27 Pension plan contributions	27	112,780.	77,681.	35,099.
28 Other employee benefits	28	1,394,822.	1,263,793.	131,029.
29 Payroll taxes	29	560,494.	461,387.	99,107.
30 Professional fundraising fees	30			
31 Accounting fees	31	19,800.		19,800.
32 Legal fees	32	93,743.		93,743.
33 Supplies	33	1,443,254.	1,263,541.	179,713.
34 Telephone	34	110,748.	90,319.	20,429.
35 Postage and shipping	35	21,250.	6,417.	14,833.
36 Occupancy	36	491,619.	375,964.	115,655.
37 Equipment rental and maintenance	37	17,532.	14,052.	3,480.
38 Printing and publications	38	829.	659.	170.
39 Travel	39	104,326.	79,552.	24,774.
40 Conferences, conventions, and meetings	40	4,959.	2,849.	2,110.
41 Interest	41	426,934.	137,600.	289,334.
42 Depreciation, depletion, etc (attach schedule)	42	589,662.	327,661.	262,001.
43 Other expenses not covered above (itemize)				
a SEE STATEMENT 3	43a	8,477,290.	8,233,213.	244,077.
b -----	43b			
c -----	43c			
d -----	43d			
e -----	43e			
44 Total functional expenses (add lines 22 - 43) Organizations completing columns (B) - (D), carry these totals to lines 13 - 15	44	19,682,580.	17,078,397.	2,604,183.

Joint Costs. Check  if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  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**

What is the organization's primary exempt purpose? <b>PROVIDING SERVICE TO DISABLED</b>	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts, but optional for others)
a SEE STATEMENT 4   (Grants and allocations \$ 3,601,578.)	17,078,397.
b -----   (Grants and allocations \$ )	
c -----   (Grants and allocations \$ )	
d -----   (Grants and allocations \$ )	
e Other program services (Grants and allocations \$ )	
<b>f Total of Program Service Expenses</b> (should equal line 44, column (B), Program services)	<b>17,078,397.</b>

**Part IV Balance Sheets** (See Instructions)

**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
<b>ASSETS</b>	45 Cash – non-interest-bearing		45
	46 Savings and temporary cash investments	974,213.	46 603,977.
	47 a Accounts receivable	47 a 3,021,602.	
	b Less. allowance for doubtful accounts	47 b 112,396.	47 c 2,909,206.
	48 a Pledges receivable	48 a	
	b Less. allowance for doubtful accounts	48 b	48 c
	49 Grants receivable		49
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)		50
	51 a Other notes & loans receivable (attach sch)	51 a 216,314.	
	b Less. allowance for doubtful accounts	51 b	51 c 216,314.
	52 Inventories for sale or use		52
	53 Prepaid expenses and deferred charges	232,123.	53 292,105.
	54 Investments – securities (attach schedule) <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54
	55 a Investments – land, buildings, & equipment, basis	55 a	
	b Less. accumulated depreciation (attach schedule)	55 b	55 c
	56 Investments – other (attach schedule)	2,256,809.	56 2,267,192.
	57 a Land, buildings, and equipment, basis	57 a 10,996,611.	
	b Less. accumulated depreciation (attach schedule) <b>STATEMENT 5</b>	57 b 4,599,700.	57 c 6,396,911.
	58 Other assets (describe <b>▶ SEE STATEMENT 6</b> )	244,237.	58 222,657.
59 <b>Total assets</b> (add lines 45 through 58) (must equal line 74)	14,046,000.	59 12,908,362.	
<b>LIABILITIES</b>	60 Accounts payable and accrued expenses	2,763,288.	60 2,639,197.
	61 Grants payable		61
	62 Deferred revenue		62 37,771.
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63
	64 a Tax-exempt bond liabilities (attach schedule) <b>SEE STATEMENT 7</b>	6,635,000.	64 a 6,122,000.
	b Mortgages and other notes payable (attach schedule) <b>SEE STATEMENT 8</b>	551,138.	64 b 644,944.
	65 Other liabilities (describe <b>▶ SEE STATEMENT 9</b> )	746,970.	65 813,616.
66 <b>Total liabilities</b> (add lines 60 through 65)	10,696,396.	66 10,257,528.	
<b>NET ASSETS OR FUND BALANCES</b>	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.</b>		
	67 Unrestricted	3,349,604.	67 2,650,834.
	68 Temporarily restricted		68
	69 Permanently restricted		69
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.</b>		
	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 <b>Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	3,349,604.	73 2,650,834.
	74 <b>Total liabilities and net assets/fund balances</b> (add lines 66 and 73)	14,046,000.	74 12,908,362.

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.

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**Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return** (See instructions.)

<b>a</b>	Total revenue, gains, and other support per audited financial statements	<b>a</b>	18,992,505.
<b>b</b>	Amounts included on line a but not on line 12, Form 990.		
(1)	Net unrealized gains on investments \$		
(2)	Donated services and use of facilities \$		
(3)	Recoveries of prior year grants \$		
(4)	Other (specify).		
	SEE STM 10 \$ 8,695.		
	Add amounts on lines (1) through (4)	<b>b</b>	8,695.
<b>c</b>	Line a minus line b	<b>c</b>	18,983,810.
<b>d</b>	Amounts included on line 12, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify).		
	----- \$		
	Add amounts on lines (1) and (2)	<b>d</b>	
<b>e</b>	Total revenue per line 12, Form 990 (line c plus line d)	<b>e</b>	18,983,810.

**Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return**

<b>a</b>	Total expenses and losses per audited financial statements	<b>a</b>	19,691,275.
<b>b</b>	Amounts included on line a but not on line 17, Form 990.		
(1)	Donated services and use of facilities \$		
(2)	Prior year adjustments reported on line 20, Form 990 \$		
(3)	Losses reported on line 20, Form 990 \$		
(4)	Other (specify).		
	SEE STMT 11 \$ 8,695.		
	Add amounts on lines (1) through (4)	<b>b</b>	8,695.
<b>c</b>	Line a minus line b	<b>c</b>	19,682,580.
<b>d</b>	Amounts included on line 17, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify).		
	----- \$		
	Add amounts on lines (1) and (2)	<b>d</b>	
<b>e</b>	Total expenses per line 17, Form 990 (line c plus line d)	<b>e</b>	19,682,580.

**Part V List of Officers, Directors, Trustees, and Key Employees** (List each one even if not compensated, see instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation	(E) Expense account and other allowances
SEE STATEMENT 12		550,403.	17,932.	0.
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75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations?  Yes  No

If 'Yes,' attach schedule -- see instructions.

Part VI Other Information (See instructions)		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		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.		X
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
78b	If 'Yes,' has it filed a tax return on Form 990-T for this year?	N/A	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If 'Yes,' attach a statement		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?	X	
b If 'Yes,' enter the name of the organization <u>SEE STATEMENT 13</u> and check whether it is <input checked="" type="checkbox"/> exempt or <input type="checkbox"/> nonexempt.			
81a	Enter direct and indirect political expenditures. See line 81 instructions	81a	0.
81b	Did the organization file Form 1120-POL for this year?		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?		X
82b	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 in Part III.)	82b	N/A
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
83b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
84b	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		N/A
85a	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?		N/A
85b	b Did the organization make only in-house lobbying expenditures of \$2,000 or less?		N/A
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.			
85c	c Dues, assessments, and similar amounts from members	85c	N/A
85d	d Section 162(e) lobbying and political expenditures	85d	N/A
85e	e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	N/A
85f	f Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A
85g	g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		N/A
85h	h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		N/A
86a	501(c)(7) organizations. Enter. a Initiation fees and capital contributions included on line 12	86a	N/A
86b	b Gross receipts, included on line 12, for public use of club facilities	86b	N/A
87a	501(c)(12) organizations. Enter. a Gross income from members or shareholders	87a	N/A
87b	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 301.7701-3? If 'Yes,' complete Part IX		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>		
89b	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		X
c Enter. Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958			0.
d Enter. Amount of tax on line 89c, above, reimbursed by the organization			0.
90a	List the states with which a copy of this return is filed <u>ILLINOIS</u>		
90b	b Number of employees employed in the pay period that includes March 12, 2004 (See instructions.)	90b	0
91	The books are in care of <u>WAYNE SCOTT</u> Telephone number <u>618-465-0044</u> Located at <u>#4 EMMIE L. KAUS LANE, ALTON IL</u> ZIP + 4 <u>62002</u>		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year <u>92</u>		N/A

**Part VII Analysis of Income-Producing Activities** (See instructions.)

Note: Enter gross amounts unless otherwise indicated

- 93 Program service revenue.
  - a SEE STATEMENT 14
  - b \_\_\_\_\_
  - c \_\_\_\_\_
  - d \_\_\_\_\_
  - e \_\_\_\_\_
  - f Medicare/Medicaid payments
  - g Fees & contracts from government agencies
- 94 Membership dues and assessments
- 95 Interest on savings & temporary cash invmnts
- 96 Dividends & 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 pers prop
- 99 Other investment income
- 100 Gain or (loss) from sales of assets other than inventory
- 101 Net income or (loss) from special events
- 102 Gross profit or (loss) from sales of inventory
- 103 Other revenue. a
  - b GAIN ON SALE OF EQUIP
  - c MISCELLANEOUS
  - d \_\_\_\_\_
  - e \_\_\_\_\_
- 104 Subtotal (add columns (B), (D), and (E))
- 105 Total (add line 104, columns (B), (D), and (E))

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93					16,416,408.
94					
95			14	39,659.	
96					
97					
98					
99					
100					-1,205,107.
101			1	9,091.	
102					
103					
103			1		
103			1	106,857.	
103					
103					
104				155,607.	15,211,301.
105					15,366,908.

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 instructions.)

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).
1	SEE STATEMENT 15

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See instructions.)

(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	0%			
	0%			
	0%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See instructions.)

- 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).

Please 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, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

*[Signature]* Date 11-15-05

*[Signature]*  
Vice President of Finance

Date \_\_\_\_\_ Check if self \_\_\_\_\_ Preparer's SSN or PTIN (See General Instruction W) \_\_\_\_\_

**SCHEDULE A**  
(Form 990 or 990-EZ)

**Organization Exempt Under  
Section 501(c)(3)**

OMB No 1545 0047

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

**2004**

Supplementary Information — (See separate instructions.)

Department of the Treasury  
Internal Revenue Service

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

Name of the organization

Employer identification number

CHALLENGE UNLIMITED, INC.

37-0805566

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

(See 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 and 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 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
SPECIALIZED PROFESSIONAL SERVICES, INC 4 EMMIE KAUS LANE, ALTON, IL 62002	LABOR	1,084,771.
MUNIE OUTDOOR SERVICES 1000 MILBURN SCHOOL ROAD, CASEYVILLE IL 60677	LABOR	2,263,902.
GARDNER, CARTON, & DOUGLAS LLP P.O. BOX 92688, CHICAGO, IL 60675	LEGAL	85,423.

Total number of others receiving over \$50,000 for professional services ▶

0

**Part III** Statements About Activities (See instructions.)

	Yes	No
<p><b>1</b> 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 ▶ \$ <u>N/A</u></p> <p>(Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.)</p> <p>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>		X
<p><b>2</b> During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, 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? (If the answer to any question is 'Yes,' attach a detailed statement explaining the transactions.)</p>		
<p><b>a</b> Sale, exchange, or leasing of property?</p>		X
<p><b>b</b> Lending of money or other extension of credit?</p>		X
<p><b>c</b> Furnishing of goods, services, or facilities?</p>		X
<p><b>d</b> Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?</p>	X	
<p><b>e</b> Transfer of any part of its income or assets?</p>		X
<p><b>3a</b> Do you make grants for scholarships, fellowships, student loans, etc? (If 'Yes,' attach an explanation of how you determine that recipients qualify to receive payments.)</p>		X
<p><b>b</b> Do you have a section 403(b) annuity plan for your employees?</p>		X
<p><b>4a</b> Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?</p>		X
<p><b>b</b> Do you provide credit counseling, debt management, credit repair, or debt negotiation services?</p>		X

SEE FORM 990, PART V

**Part IV** Reason for Non-Private Foundation Status (See 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.)
- 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 instructions )

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

- 14  An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions )

**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) 2003	(b) 2002	(c) 2001	(d) 2000	(e) Total
<b>15</b> Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	3,417,455.	3,428,310.	3,392,491.	3,053,992.	13,292,248.
<b>16</b> Membership fees received					
<b>17</b> Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	16,286,011.	14,623,600.	13,307,925.	13,882,857.	58,100,393.
<b>18</b> Gross income from interest, dividends, amounts received from payments on securities loans (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	38,076.	59,520.	55,391.	83,553.	236,540.
<b>19</b> Net income from unrelated business activities not included in line 18					
<b>20</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
<b>21</b> 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					
<b>22</b> Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets <b>SEE STMT 16</b>	33,676.	49,564.	672,363.	25,437.	781,040.
<b>23</b> Total of lines 15 through 22	19,775,218.	18,160,994.	17,428,170.	17,045,839.	72,410,221.
<b>24</b> Line 23 minus line 17	3,489,207.	3,537,394.	4,120,245.	3,162,982.	14,309,828.
<b>25</b> Enter 1% of line 23	197,752.	181,610.	174,282.	170,458.	
<b>26 Organizations described on lines 10 or 11:</b>	a Enter 2% of amount in column (e), line 24 <b>N/A</b>				<b>26a</b>
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2000 through 2003 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					<b>26b</b>
c Total support for section 509(a)(1) test. Enter line 24, column (e)					<b>26c</b>
d Add. Amounts from column (e) for lines.	<b>18</b> _____	<b>19</b> _____			<b>26d</b>
	<b>22</b> _____	<b>26b</b> _____			<b>26e</b>
e Public support (line 26c minus line 26d total)					<b>26e</b>
<b>f Public support percentage (line 26e (numerator) divided by line 26c (denominator))</b>					<b>26f</b> %
<b>27 Organizations described on line 12:</b>					
a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year.					
(2003) _____ 0. (2002) _____ 0. (2001) _____ 0. (2000) _____ 0.					
b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records 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.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year.					
(2003) _____ 0. (2002) _____ 0. (2001) _____ 0. (2000) _____ 0.					
c Add. Amounts from column (e) for lines.	<b>15</b> _____	<b>16</b> _____			<b>27c</b> 71,392,641.
	<b>17</b> 58,100,393. <b>20</b> _____	<b>21</b> _____			<b>27d</b> 0.
d Add. Line 27a total _____ 0. and line 27b total _____ 0.					<b>27e</b> 71,392,641.
e Public support (line 27c total minus line 27d total)					<b>27e</b> 71,392,641.
f Total support for section 509(a)(2) test. Enter amount from line 23, column (e)	<b>27f</b> 72,410,221.				
<b>g Public support percentage (line 27e (numerator) divided by line 27f (denominator))</b>					<b>27g</b> 98.59 %
<b>h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))</b>					<b>27h</b> 0.33 %

**28 Unusual Grants:** For an organization described in line 10, 11, or 12 that received any unusual grants during 2000 through 2003, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

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

		N/A	
		Yes	No
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 ) ----- ----- -----		
32	Does the organization maintain the following:		
	a Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
	b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
	c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
	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 ) ----- -----	32d	
33	Does the organization discriminate by race in any way with respect to:		
	a Students' rights or privileges?	33a	
	b Admissions policies?	33b	
	c Employment of faculty or administrative staff?	33c	
	d Scholarships or other financial assistance?	33d	
	e Educational policies?	33e	
	f Use of facilities?	33f	
	g Athletic programs?	33g	
	h Other extracurricular activities? If you answered 'Yes' to any of the above, please explain (If you need more space, attach a separate statement.) ----- -----	33h	
34a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
	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.	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	

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See instructions.)  
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check  **a** if the organization belongs to an affiliated group. Check  **b** if you checked 'a' and 'limited control' provisions apply.

**Limits on Lobbying Expenditures**

(The term 'expenditures' means amounts paid or incurred.)

		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
<b>36</b> Total lobbying expenditures to influence public opinion (grassroots lobbying)	<b>36</b>		
<b>37</b> Total lobbying expenditures to influence a legislative body (direct lobbying)	<b>37</b>		
<b>38</b> Total lobbying expenditures (add lines 36 and 37)	<b>38</b>		
<b>39</b> Other exempt purpose expenditures	<b>39</b>		
<b>40</b> Total exempt purpose expenditures (add lines 38 and 39)	<b>40</b>		
<b>41</b> Lobbying nontaxable amount. Enter the amount from the following table –			
<b>If the amount on line 40 is –</b>			
Not over \$500,000			
Over \$500,000 but not over \$1,000,000			
Over \$1,000,000 but not over \$1,500,000			
Over \$1,500,000 but not over \$17,000,000			
Over \$17,000,000			
<b>The lobbying nontaxable amount is –</b>			
20% of the amount on line 40			
\$100,000 plus 15% of the excess over \$500,000			
\$175,000 plus 10% of the excess over \$1,000,000			
\$225,000 plus 5% of the excess over \$1,500,000			
\$1,000,000			
<b>42</b> Grassroots nontaxable amount (enter 25% of line 41)	<b>42</b>		
<b>43</b> Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	<b>43</b>		
<b>44</b> Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	<b>44</b>		

**Caution:** If there is an amount on either line 43 or line 44, you must file Form 4720.

**4 -Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.  
 See the instructions for lines 45 through 50.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4 -Year Averaging Period				
	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
<b>45</b> Lobbying nontaxable amount					
<b>46</b> Lobbying ceiling amount (150% of line 45(e))					
<b>47</b> Total lobbying expenditures					
<b>48</b> Grassroots non-taxable amount					
<b>49</b> Grassroots ceiling amount (150% of line 48(e))					
<b>50</b> Grassroots lobbying expenditures					

**Part VI-B Lobbying Activity by Nonelecting Public Charities** (See instructions.)  
 (For reporting only by organizations that did not complete Part VI-A)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

	Yes	No	Amount
<b>a</b> Volunteers			
<b>b</b> Paid staff or management (Include compensation in expenses reported on lines c through h.)			
<b>c</b> Media advertisements			
<b>d</b> Mailings to members, legislators, or the public			
<b>e</b> Publications, or published or broadcast statements			
<b>f</b> Grants to other organizations for lobbying purposes			
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body			
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
<b>i</b> Total lobbying expenditures (add lines c through h.)			

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities.



CHALLENGE UNLIMITED, INC.

37-0805566

**STATEMENT 1**  
**FORM 990, PART I, LINE 8**  
**NET GAIN (LOSS) FROM NONINVENTORY SALES**

OTHER ASSETS

DESCRIPTION:	COPIER		
DATE ACQUIRED:	10/18/2001		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	8/02/2004		
TO WHOM SOLD:			
GROSS SALES PRICE:		0.	
COST OR OTHER BASIS:		633.	
			GAIN (LOSS) -633.
DESCRIPTION:	LABELAIRE		
DATE ACQUIRED:	12/31/2004		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	12/27/2004		
TO WHOM SOLD:			
GROSS SALES PRICE:		19,500.	
COST OR OTHER BASIS:		26,237.	
			GAIN (LOSS) -6,737.
DESCRIPTION:	INVENTORY		
DATE ACQUIRED:	VARIOUS		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	1/31/2005		
TO WHOM SOLD:			
GROSS SALES PRICE:		0.	
COST OR OTHER BASIS:		1,325.	
			GAIN (LOSS) -1,325.
DESCRIPTION:	VEHICLE 98		
DATE ACQUIRED:	7/23/1999		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	10/26/2004		
TO WHOM SOLD:			
GROSS SALES PRICE:		900.	
COST OR OTHER BASIS:		0.	
			GAIN (LOSS) 900.
DESCRIPTION:	VEHICLE 85		
DATE ACQUIRED:	4/01/1994		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	11/30/2004		
TO WHOM SOLD:			
GROSS SALES PRICE:		75.	
COST OR OTHER BASIS:		0.	
			GAIN (LOSS) 75.
DESCRIPTION:	SEALER/TUNNEL		
DATE ACQUIRED:	12/31/2004		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	4/12/2005		
TO WHOM SOLD:			
GROSS SALES PRICE:		3,000.	
COST OR OTHER BASIS:		1,322.	
			GAIN (LOSS) 1,678.
DESCRIPTION:	FOREGIVENESS OF RELATED PARTY DEBT		

CHALLENGE UNLIMITED, INC.

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**STATEMENT 1 (CONTINUED)**  
**FORM 990, PART I, LINE 8**  
**NET GAIN (LOSS) FROM NONINVENTORY SALES**

DATE ACQUIRED: VARIOUS  
HOW ACQUIRED: PURCHASE  
DATE SOLD: 6/30/2005  
TO WHOM SOLD:  
GROSS SALES PRICE: 0.  
COST OR OTHER BASIS: 1,199,065.

GAIN (LOSS) -1,199,065.

TOTAL GAIN (LOSS) OTHER ASSETS \$ -1,205,107.

TOTAL NET GAIN (LOSS) FROM NONINVENTORY SALES \$ -1,205,107.

**STATEMENT 2**  
**FORM 990, PART I, LINE 9**  
**NET INCOME (LOSS) FROM SPECIAL EVENTS**

SPECIAL EVENTS	GROSS RECEIPTS	LESS CONTRI-BUTIONS	GROSS REVENUE	LESS DIRECT EXPENSES	NET INCOME (LOSS)
GOLF TOURNAMENT	9,091.	0.	9,091.	0.	9,091.
TOTAL	<u>\$ 9,091.</u>	<u>\$ 0.</u>	<u>\$ 9,091.</u>	<u>\$ 0.</u>	<u>\$ 9,091.</u>

**STATEMENT 3**  
**FORM 990, PART II, LINE 43**  
**OTHER EXPENSES**

	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT & GENERAL	(D) FUNDRAISING
ADVERTISING	929.	929.		
BAD DEBT	6,799.		6,799.	
BUILDING RENT	37,126.	37,126.		
COMMISSIONS	420,262.	420,262.		
CONSULTANTS & CONTRACTUAL	7,423,486.	7,411,796.	11,690.	
CONVICTION INFO	8,020.	7,597.	423.	
DUES	27,927.	190.	27,737.	
INCENTIVE PROGRAM	26,520.	11,075.	15,445.	
LICENSES & FEES	4,720.	3,675.	1,045.	
MISCELLANEOUS ADMIN	3,995.	2,557.	1,438.	
OTHER FUND RAISING	7,454.		7,454.	
OTHER INSURANCE	29,370.		29,370.	
PAGER	4,620.	4,437.	183.	
PROFESSIONAL FEES	53,326.	9,640.	43,686.	
PUBLIC RELATIONS	15,533.	3,129.	12,404.	
RECRUITING	10,849.	8,612.	2,237.	
REFERENCE MATERIALS	9,252.	1,864.	7,388.	
SAFETY	19,705.		19,705.	
SEMINARS & CLASSES	15,343.	8,897.	6,446.	
SERVICE CHARGES	53,063.	27,693.	25,370.	
SUBSCRIPTIONS	4,980.	708.	4,272.	

CHALLENGE UNLIMITED, INC.

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**STATEMENT 3 (CONTINUED)**  
**FORM 990, PART II, LINE 43**  
**OTHER EXPENSES**

	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT & GENERAL	(D) FUNDRAISING
TRAINING	3,155.		3,155.	
TRANSPORTATION FEES	52,378.	52,378.		
VEHICLE GAS & MAINTENANCE	157,437.	153,589.	3,848.	
VEHICLE INSURANCE	58,904.	56,713.	2,191.	
VEHICLE LEASE	13,694.	2,157.	11,537.	
VEHICLE MISCELLANEOUS	8,443.	8,189.	254.	
<b>TOTAL</b>	<b>\$ 8,477,290.</b>	<b>\$ 8,233,213.</b>	<b>\$ 244,077.</b>	<b>\$ 0.</b>

**STATEMENT 4**  
**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.	3,017,262.	3,225,545.
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.	334,177.	13,590,679.
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.	247,014.	237,265.
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	3,125.	24,908.
	<u>\$ 3,601,578.</u>	<u>\$ 17,078,397.</u>

**STATEMENT 5**  
**FORM 990, PART IV, LINE 57**  
**LAND, BUILDINGS, AND EQUIPMENT**

CATEGORY	BASIS	ACCUM. DEPREC.	BOOK VALUE
AUTOMOBILES / TRANSPORTATION EQUIPMENT	\$ 911,660.	\$ 598,326.	\$ 313,334.
FURNITURE AND FIXTURES	1,430,480.	530,755.	899,725.
BUILDINGS	7,463,260.	3,051,961.	4,411,299.
IMPROVEMENTS	600,120.	418,658.	181,462.

CHALLENGE UNLIMITED, INC.

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**STATEMENT 5 (CONTINUED)**  
**FORM 990, PART IV, LINE 57**  
**LAND, BUILDINGS, AND EQUIPMENT**

CATEGORY	BASIS	ACCUM. DEPREC.	BOOK VALUE
LAND	\$ 591,091.		\$ 591,091.
TOTAL	<u>\$ 10,996,611.</u>	<u>\$ 4,599,700.</u>	<u>\$ 6,396,911.</u>

**STATEMENT 6**  
**FORM 990, PART IV, LINE 58**  
**OTHER ASSETS**

UNAMORTIZED LOAN DISCOUNTS AND COSTS	\$ 222,657.
TOTAL	<u>\$ 222,657.</u>

**STATEMENT 7**  
**FORM 990, PART IV, LINE 64A**  
**TAX-EXEMPT BOND LIABILITIES**

		<u>BALANCE DUE</u>
PURPOSE OF ISSUE:	FACILITY CONSTRUCTION	
THIRD PARTY INFORMATION:	IL DEVELOPMENT FINANCE AUTH	
ISSUE DATE:	1/01/1990	
ORIGINAL ISSUE AMOUNT:	7,000,000.	
BOND RETIREMENT DATE:	1/01/2010	
OUTSTANDING ISSUE AMOUNT:		\$ 780,000.
PURPOSE OF ISSUE:	FACILITY CONSTRUCTION	
THIRD PARTY INFORMATION:	IL DEVELOPMENT FINANCE AUTH	
ISSUE DATE:	1/01/1995	
ORIGINAL ISSUE AMOUNT:	120,000.	
OUTSTANDING ISSUE AMOUNT:		120,000.
PURPOSE OF ISSUE:	FACILITY CONSTRUCTION	
THIRD PARTY INFORMATION:	IL DEVELOPMENT FINANCE AUTH	
ISSUE DATE:	7/01/1997	
ORIGINAL ISSUE AMOUNT:	5,890,000.	
BOND RETIREMENT DATE:	7/01/2015	
OUTSTANDING ISSUE AMOUNT:		3,667,000.
PURPOSE OF ISSUE:	FACILITY CONSTRUCTION	
THIRD PARTY INFORMATION:	IL DEVELOPMENT FINANCE AUTH	
ISSUE DATE:	6/01/2002	
ORIGINAL ISSUE AMOUNT:	1,595,000.	
OUTSTANDING ISSUE AMOUNT:		1,555,000.
TOTAL		<u>\$ 6,122,000.</u>

CHALLENGE UNLIMITED, INC.

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**STATEMENT 8  
FORM 990, PART IV, LINE 64B  
MORTGAGES AND OTHER NOTES PAYABLE**

OTHER NOTES PAYABLE

LENDER'S NAME:	RESIDENTIAL OPTIONS	
RELATIONSHIP OF LENDER:	COMMON BOARD OF DIRECTORS	
DATE OF NOTE:	VARIOUS	
REPAYMENT TERMS:	DEMAND	
INTEREST RATE:	5.00%	
SECURITY PROVIDED:	NONE	
PURPOSE OF LOAN:	WORKING CAPITAL	
ORIGINAL AMOUNT:	850,000.	
BALANCE DUE:		\$ 550,000.
LENDER'S NAME:	ASSOCIATED BANK	
DATE OF NOTE:	1/26/2005	
MATURITY DATE:	12/01/2009	
INTEREST RATE:	9.50%	
SECURITY PROVIDED:	SHREDDER	
ORIGINAL AMOUNT:	105,386.	
BALANCE DUE:		\$ 94,944.
		TOTAL \$ <u>644,944.</u>

**STATEMENT 9  
FORM 990, PART IV, LINE 65  
OTHER LIABILITIES**

RELATED ACCOUNTS PAYABLE		\$ 813,616.
	TOTAL	\$ <u>813,616.</u>

**STATEMENT 10  
FORM 990, PART IV-A, LINE B(4)  
OTHER AMOUNTS**

SEE "FEDERAL SUPPLEMENTAL INFO"		\$ 8,695.
	TOTAL	\$ <u>8,695.</u>

**STATEMENT 11  
FORM 990, PART IV-B, LINE B(4)  
OTHER AMOUNTS**

SEE "FEDERAL SUPPLEMENTAL INFO"		\$ 8,695.
	TOTAL	\$ <u>8,695.</u>

CHALLENGE UNLIMITED, INC.

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STATEMENT 12  
FORM 990, PART V  
LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVERAGE HOURS PER WEEK DEVOTED	COMPEN- SATION	CONTRI- BUTION TO EBP & DC	EXPENSE ACCOUNT/ OTHER
J. THOMAS MOEHN 5029 VALLEYVIEW DRIVE ALTON, IL 62002	PRESIDENT/CEO 37.5	\$ 158,021.	\$ 0.	\$ 0.
JIM KASTEN 600 MATHER ALTON, IL 62002	DIRECTOR 1	0.	0.	0.
STEVE BRENEGAN 5711 SIR GAWAIN GODFREY, IL 62002	EXEC VP MRKTNG 37.5	69,957.	3,081.	0.
WAYNE SCOTT 14856 MONDOUBLEAU FLORISSANT, MO 63034	EXEC VP FINANCE 37.5	72,814.	3,697.	0.
GEORGE DAVIS 1417 WINTER LANE GODFREY, IL 62035	DIRECTOR 1	0.	0.	0.
JOHN GIBBONS 220 ST. LOUIS ST EDWARDSVILLE, IL 62025	GENERAL COUNSEL 1	0.	0.	0.
DIANE TEBBE 820 COPPER RIDGE MARYVILLE, IL 62062	VP RESIDENTIAL 37.5	55,420.	2,408.	0.
SANDRA CURRAN 306 ALEXANDER DRIVE EDWARDSVILLE, IL 62025	SECRETARY 1	0.	0.	0.
FLOYD RAGLIN 1212 ROCKSPRING TERRACE ALTON, IL 62002	DIRECTOR 1	0.	0.	0.
ROSE GIBSON 816 FOXWOOD CIRCLE ALTON, IL 62002	VICE CHAIRMAN 1	0.	0.	0.
DEBRA MCMAHON 113 QUAIL RUN BETHALTO, IL 62010	EXEC VP HR 37.5	64,748.	2,763.	0.
KRESCENE BECK 517 EAST FRANKLIN EDWARDSVILLE, IL 62025	EXEC VP LFE SRV 37.5	66,356.	2,541.	0.

CHALLENGE UNLIMITED, INC.

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STATEMENT 12 (CONTINUED)  
 FORM 990, PART V  
 LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

<u>NAME AND ADDRESS</u>	<u>TITLE AND AVERAGE HOURS PER WEEK DEVOTED</u>	<u>COMPEN- SATION</u>	<u>CONTRI- BUTION TO EBP &amp; DC</u>	<u>EXPENSE ACCOUNT/ OTHER</u>
MIKE GONZALES 24 RIVIERA BRIGHTON, IL 62012	VP OPERATIONS 37.5	\$ 63,087.	\$ 3,442.	\$ 0.
DONALD SCHWAAB 5226 WILLIS AVENUE GODFREY, IL 62035	CHAIRMAN 1	0.	0.	0.
JAMES GREEN 10 LAKERIDGE TRAIL ALTON, IL 62002	DIRECTOR 1	0.	0.	0.
ROLAND BANKS 528 DIVISION STREET ALTON, IL 62002	DIRECTOR 1	0.	0.	0.
TOTAL		\$ 550,403.	\$ 17,932.	\$ 0.

STATEMENT 13  
 FORM 990, PART VI, LINE 80B  
 RELATED ORGANIZATIONS

<u>NAME OF ORGANIZATION</u>	<u>EXEMPT</u>	<u>NONEXEMPT</u>
RESIDENTIAL OPTIONS, INC.	X	
SPECIALIZED PROFESSIONAL SERVICES, INC	X	

STATEMENT 14  
FORM 990, PART VII, LINE 93  
PROGRAM SERVICE REVENUE

PROGRAM SERVICE REVENUE	(A) BUSI- NESS CODE	(B) UNRELATED BUSINESS AMOUNT	(C) EXCLU- SION CODE	(D) EXCLUDED AMOUNT	(E) RELATED OR EXEMPT FUNCTION
CONTRACTUAL LABOR					\$ 469,952.
DAY TRAINING/PRIVATE PAY					49,520.
FOOD SERVICE INCOME					2,799,136.
GROUNDSKEEPING INCOME					2,602,185.
JANITORIAL INCOME					7,464,082.
MAILROOM INCOME					50,591.
MNGMNT FEE FROM 501C3'S					498,000.
NURSE'S AID TRAINING					10,571.
PRODUCTION INCOME					505,261.
RECYCLING INCOME					560,518.
REIMBURSABLE INCOME					168,258.
RENT FROM RELT 501C3 ORG					568,000.
RLTD 501C3 LABOR CHARGE					644,541.
TBI					18,035.
TRANSPORTATION INCOME					1,880.
VENDING INCOME					5,878.
TOTAL		\$ 0.		\$ 0.	\$ 16,416,408.

STATEMENT 15  
FORM 990, PART VIII  
RELATIONSHIP OF ACTIVITIES TO THE ACCOMPLISHMENT OF EXEMPT PURPOSES

LINE #	EXPLANATION OF ACTIVITIES
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.

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STATEMENT 16  
SCHEDULE A, PART IV-A, LINE 22  
OTHER INCOME

<u>DESCRIPTION</u>	<u>(A) 2003</u>	<u>(B) 2002</u>	<u>(C) 2001</u>	<u>(D) 2000</u>	<u>(E) TOTAL</u>
MISCELLANEOUS	\$ 33,676.	\$ 49,564.	\$ 672,363.	\$ 25,437.	\$ 781,040.
TOTAL	<u>\$ 33,676.</u>	<u>\$ 49,564.</u>	<u>\$ 672,363.</u>	<u>\$ 25,437.</u>	<u>\$ 781,040.</u>

## CHALLENGE UNLIMITED, INC.

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ATTACHEMENT TO 990 PAGE4, PART IV-A LINE B(4) AND PART IV-B LINE(4)

LOSSES ON SALE OF ASSETS ARE INCLUDED IN THE STATEMENT OF FUNCTIONAL EXPENSES IN THE AUDITED FINANCIAL STATEMENTS; HOWEVER AND LOSSES ARE REPORTED SEPARATELY FROM THE FUNCTIONAL EXPENSES ON THE 990. THE FOLLOWING IS A RECONCILIATION OF THE AUDITED STATEMENT OF FUNCTIONAL EXPENSES, AND THE FUNCTIONAL EXPENSES AS REPORTED ON THE 990.

PROGRAM SERVICES PER AUDITED FINANCIAL STATEMENTS	\$17,087,092
PROGRAM SERVICES PER 990 PAGE 2	17,078,397
DIFFERENCE=GAIN ON SALE OF ASSETS	\$ 8,695
MANAGEMENT & GENERAL PER AUDITED FINANCIAL STATEMENTS	\$ 2,604,183
MANAGEMENT & GENERAL PER 990 PAGE 2	2,604,183
DIFFERENCE=LOSS ON SALE OF ASSETS & SECURITIES	\$ 0
TOTAL FUNCTIONAL EXPENSES PER AUDITED FINANCIAL STATEMENTS	\$19,691,275
TOTAL FUNCTIONAL EXPENSES PER 990 PAGE 2	19,682,580
DIFFERENCE=TOTAL LOSSES ON SALES	\$ 8,695

## GAINS/LOSSES REPORTED ON TAX RETURN

SALE OF COPIER	\$ ( 633)
SALE OF LABELAIRE	( 6,737)
SALE OF INVENTORY	( 1,325)
TOTAL LOSSES ON SALES	( 8,695)
NET OF GAINS ON SALES	2,653
LOSS ON FORGIVENESS OF RELATED-PARTY DEBT	(1,199,065)
NET GAINS/LOSSES SHOWN ON LINE 8D OF 990	\$(1,205,107)

RELATED PARTY TRANSACTIONS

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, equipment, and group homes to Residential Options, Inc.

Challenge Unlimited, Inc. provides management services, temporary production workers, and leases facilities and equipment to Specialized Professional Services, Inc. D.B.A. Alpha Industries. Challenge Unlimited, Inc. contracts labor, and professional services 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, 2005, and 2004, were approximately \$132,197 and \$173,052 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>2005</u>	<u>2004</u>
Revenue:				
Day Training	\$ 703,952	\$ -	\$ 703,952	\$ 690,089
Management Fees	348,000	150,000	498,000	624,000
Contract Labor	109,721	532,486	642,207	1,358,442
Building Rental	513,000	50,000	563,000	657,000
Food Services	13,716	-	13,716	16,646
Equipment Rental	1,792	1,727	3,519	3,876
Total Revenue	<u>1,690,181</u>	<u>734,213</u>	<u>2,424,394</u>	<u>3,350,053</u>
Expenses:				
Equipment Rent	-	-	-	(256)
Production	-	18,750	18,750	45,000
Interest Expense	27,500	-	27,500	27,500
Contract Labor	-	1,066,021	1,066,021	970,833
Supplies	-	1,624	1,624	799
Loss on Forgiveness of Debt	-	1,199,065	1,199,065	-
Total Expenses	<u>27,500</u>	<u>2,285,460</u>	<u>2,312,960</u>	<u>1,043,876</u>
ACCOUNTS RECEIVABLE - RELATED	<u>216,314</u>	<u>-</u>	<u>216,314</u>	<u>986,527</u>
ACCOUNTS PAYABLE - RELATED	<u>813,616</u>		<u>813,616</u>	<u>733,900</u>
NOTES PAYABLE - RELATED	<u>\$ 550,000</u>		<u>\$ 550,000</u>	<u>\$ 550,000</u>