

# Return of Organization Exempt From Income Tax

## 2006

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

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 2006 calendar year, or tax year beginning** 7/01, 2006, and ending 6/30, 2007

<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	<b>C</b> Please use IRS label or print or type. See specific instructions. <b>CHALLENGE UNLIMITED, INC.</b> #4 EMMIE KAUS LANE ALTON, IL 62002	<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) _____

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.  Yes  No

**H (c)** Are all affiliates included? (If 'No,' attach a list. See instructions.)  Yes  No

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

**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 is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

**I** Group Exemption Number \_\_\_\_\_

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

**L** Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 **20,329,631.**

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

<b>1</b> Contributions, gifts, grants, and similar amounts received:			
<b>a</b> Contributions to donor advised funds	<b>1a</b>	56,390.	
<b>b</b> Direct public support (not included on line 1a)	<b>1b</b>		
<b>c</b> Indirect public support (not included on line 1a)	<b>1c</b>		
<b>d</b> Government contributions (grants) (not included on line 1a)	<b>1d</b>	3,279,769.	
<b>e</b> Total (add lines 1a through 1d) (cash \$ 3,336,159. noncash \$ _____)	<b>1e</b>		3,336,159.
<b>2</b> Program service revenue including government fees and contracts (from Part VII, line 93)	<b>2</b>		16,840,200.
<b>3</b> Membership dues and assessments	<b>3</b>		
<b>4</b> Interest on savings and temporary cash investments	<b>4</b>		72,795.
<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>8a</b>	24,400.	
<b>b</b> Less cost or other basis and sales expenses	<b>8b</b>	23,581.	
<b>c</b> Gain or (loss) (attach schedule) <b>STATEMENT 1</b>	<b>8c</b>	819.	
<b>d</b> Net gain or (loss). Combine line 8c, columns (A) and (B)	<b>8d</b>		819.
<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 1b)	<b>9a</b>		
<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>		
<b>10a</b> Gross sales of inventory, less returns and allowances	<b>10a</b>	5,308.	
<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>		5,308.
<b>11</b> Other revenue (from Part VII, line 03)	<b>11</b>		50,769.
<b>12</b> Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11	<b>12</b>		20,306,050.
<b>13</b> Program services (from line 44, column (B))	<b>13</b>		16,508,772.
<b>14</b> Management and general (from line 44, column (C))	<b>14</b>		2,646,229.
<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>		19,155,001.
<b>18</b> Excess or (deficit) for the year. Subtract line 17 from line 12	<b>18</b>		1,151,049.
<b>19</b> Net assets or fund balances at beginning of year (from line 73, column (A))	<b>19</b>		2,912,325.
<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>		4,063,374.

ENVELOPE DATE NOV 07 2007

SCANNED DEC 07 2007

RECEIVED NOV 15 2007

61719

**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
<b>22a</b>	Grants paid from donor advised funds (attach sch) (cash \$ _____) non-cash \$ _____ If this amount includes foreign grants, check here <input type="checkbox"/>	<b>22a</b>			
<b>22b</b>	Other grants and allocations (att sch) (cash \$ _____) non-cash \$ _____ If this amount includes foreign grants, check here <input type="checkbox"/>	<b>22b</b>			
<b>23</b>	Specific assistance to individuals (attach schedule)	<b>23</b>			
<b>24</b>	Benefits paid to or for members (attach schedule)	<b>24</b>			
<b>25a</b>	Compensation of current officers, directors, key employees, etc listed in Part V-A (attach sch) <b>SEE STMT 3</b>	<b>25a</b> 867,079.	0.	867,079.	0.
<b>25b</b>	Compensation of former officers, directors, key employees, etc listed in Part V-B (attach sch)	<b>25b</b> 0.	0.	0.	0.
<b>25c</b>	Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)	<b>25c</b> 0.	0.	0.	0.
<b>26</b>	Salaries and wages of employees not included on lines 25a, b, and c.	<b>26</b> 4,253,012.	3,968,474.	284,538.	
<b>27</b>	Pension plan contributions not included on lines 25a, b, and c	<b>27</b> 55,930.	28,001.	27,929.	
<b>28</b>	Employee benefits not included on lines 25a - 27	<b>28</b> 1,554,759.	1,367,307.	187,452.	
<b>29</b>	Payroll taxes	<b>29</b> 484,919.	380,665.	104,254.	
<b>30</b>	Professional fundraising fees	<b>30</b>			
<b>31</b>	Accounting fees	<b>31</b>			
<b>32</b>	Legal fees	<b>32</b>			
<b>33</b>	Supplies	<b>33</b> 1,709,283.	1,515,099.	194,184.	
<b>34</b>	Telephone	<b>34</b> 96,016.	66,275.	29,741.	
<b>35</b>	Postage and shipping	<b>35</b> 16,612.	8,124.	8,488.	
<b>36</b>	Occupancy	<b>36</b> 508,069.	384,512.	123,557.	
<b>37</b>	Equipment rental and maintenance	<b>37</b> 38,858.	33,921.	4,937.	
<b>38</b>	Printing and publications	<b>38</b> 947.	274.	673.	
<b>39</b>	Travel	<b>39</b> 172,256.	131,793.	40,463.	
<b>40</b>	Conferences, conventions, and meetings	<b>40</b> 5,216.	483.	4,733.	
<b>41</b>	Interest	<b>41</b> 344,765.	122,701.	222,064.	
<b>42</b>	Depreciation, depletion, etc (attach schedule)	<b>42</b> 681,880.	345,723.	336,157.	
<b>43</b>	Other expenses not covered above (itemize)				
<b>a</b>	<u>SEE STATEMENT 4</u>	<b>43a</b> 8,365,400.	8,155,420.	209,980.	
<b>b</b>	-----	<b>43b</b>			
<b>c</b>	-----	<b>43c</b>			
<b>d</b>	-----	<b>43d</b>			
<b>e</b>	-----	<b>43e</b>			
<b>f</b>	-----	<b>43f</b>			
<b>g</b>	-----	<b>43g</b>			
<b>44</b>	<b>Total functional expenses.</b> Add lines 22a through 43g (Organizations completing columns (B) - (D), carry these totals to lines 13 - 15)	<b>44</b> 19,155,001.	16,508,772.	2,646,229.	0.

**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**

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.

What is the organization's primary exempt purpose? ▶ <u>PROVIDING SERVICE TO DISABLED</u>	<b>Program Service Expenses</b>
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	(Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts, but optional for others)
<b>a</b> <u>DEVELOPMENTAL TRAINING #31-PROVIDE EMPLOYMENT, SOCIAL, RECREATIONAL AND LIFE SKILLS TO SEVERELY DISABLED PEOPLE. APPROXIMATELY 250 CLIENTS SERVED.</u> ----- ----- (Grants and allocations \$ <u>3,421,926.</u> ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	2,570,627.
<b>b</b> <u>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.</u> ----- ----- (Grants and allocations \$ <u>15,654,237.</u> ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	13,692,275.
<b>c</b> <u>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.</u> ----- ----- (Grants and allocations \$ <u>250,652.</u> ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	245,870.
<b>d</b> ----- ----- ----- (Grants and allocations \$ _____ ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
<b>e</b> Other program services (Grants and allocations \$ _____ ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
<b>f Total of Program Service Expenses</b> (should equal line 44, column (B), Program services) ▶	16,508,772.

BAA

**Part IV Balance Sheets** (See the 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>	<b>45</b> Cash – non-interest-bearing		<b>45</b>	
	<b>46</b> Savings and temporary cash investments	598,629.	<b>46</b>	574,871.
	<b>47 a</b> Accounts receivable	<b>47 a</b> 2,530,301.		
	<b>b</b> Less: allowance for doubtful accounts	<b>47 b</b> 28,546.	2,748,193.	<b>47 c</b> 2,501,755.
	<b>48 a</b> Pledges receivable	<b>48 a</b>		
	<b>b</b> Less: allowance for doubtful accounts	<b>48 b</b>		<b>48 c</b>
	<b>49</b> Grants receivable			<b>49</b>
	<b>50 a</b> Receivables from current and former officers, directors, trustees, and key employees (attach schedule)			<b>50 a</b>
	<b>b</b> Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)			<b>50 b</b>
	<b>51 a</b> Other notes and loans receivable (attach schedule)	<b>51 a</b> 157,819.		
	<b>b</b> Less: allowance for doubtful accounts	<b>51 b</b>	204,099.	<b>51 c</b> 157,819.
	<b>52</b> Inventories for sale or use			<b>52</b>
	<b>53</b> Prepaid expenses and deferred charges		155,711.	<b>53</b> 137,036.
	<b>54 a</b> Investments – publicly-traded securities	▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV		<b>54 a</b>
	<b>b</b> Investments – other securities (attach sch)	▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV		<b>54 b</b>
	<b>55 a</b> Investments – land, buildings, & equipment: basis	<b>55 a</b>		
	<b>b</b> Less: accumulated depreciation (attach schedule)	<b>55 b</b>		<b>55 c</b>
	<b>56</b> Investments – other (attach schedule)		2,283,428.	<b>56</b> 2,301,246.
	<b>57 a</b> Land, buildings, and equipment: basis	<b>57 a</b> 11,471,945.		
<b>b</b> Less: accumulated depreciation (attach schedule) <b>STATEMENT 5</b>	<b>57 b</b> 5,739,778.	6,094,732.	<b>57 c</b> 5,732,167.	
<b>58</b> Other assets, including program-related investments (describe ▶ <u>SEE STATEMENT 6</u> )		201,078.	<b>58</b> 179,497.	
<b>59 Total assets</b> (must equal line 74). Add lines 45 through 58		12,285,870.	<b>59</b> 11,584,391.	
<b>LIABILITIES</b>	<b>60</b> Accounts payable and accrued expenses	2,292,763.	<b>60</b>	1,881,784.
	<b>61</b> Grants payable		<b>61</b>	
	<b>62</b> Deferred revenue	1,438.	<b>62</b>	3,364.
	<b>63</b> Loans from officers, directors, trustees, and key employees (attach schedule)		<b>63</b>	
	<b>64 a</b> Tax-exempt bond liabilities (attach schedule) <b>SEE STATEMENT 7</b>		5,567,000.	<b>64 a</b> 4,975,000.
	<b>b</b> Mortgages and other notes payable (attach schedule) <b>SEE STATEMENT 8</b>		625,998.	<b>64 b</b> 605,646.
	<b>65</b> Other liabilities (describe ▶ <u>SEE STATEMENT 9</u> )		886,346.	<b>65</b> 55,223.
<b>66 Total liabilities.</b> Add lines 60 through 65		9,373,545.	<b>66</b> 7,521,017.	
<b>NET ASSETS OR FUND BALANCES</b>	<b>Organizations that follow SFAS 117, check here</b> ▶ <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	<b>67</b> Unrestricted	2,912,325.	<b>67</b>	4,063,374.
	<b>68</b> Temporarily restricted		<b>68</b>	
	<b>69</b> Permanently restricted		<b>69</b>	
	<b>Organizations that do not follow SFAS 117, check here</b> ▶ <input type="checkbox"/> and complete lines 70 through 74.			
	<b>70</b> Capital stock, trust principal, or current funds		<b>70</b>	
	<b>71</b> Paid-in or capital surplus, or land, building, and equipment fund		<b>71</b>	
	<b>72</b> Retained earnings, endowment, accumulated income, or other funds		<b>72</b>	
	<b>73 Total net assets or fund balances.</b> Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21)		2,912,325.	<b>73</b> 4,063,374.
	<b>74 Total liabilities and net assets/fund balances.</b> Add lines 66 and 73		12,285,870.	<b>74</b> 11,584,391.

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

<b>a</b>	Total revenue, gains, and other support per audited financial statements		<b>a</b>	20,306,050.
<b>b</b>	Amounts included on line <b>a</b> but not on Part I, line 12:			
	1 Net unrealized gains on investments	<b>b1</b>		
	2 Donated services and use of facilities	<b>b2</b>		
	3 Recoveries of prior year grants	<b>b3</b>		
	4 Other (specify): _____	<b>b4</b>		
	Add lines <b>b1</b> through <b>b4</b>		<b>b</b>	
<b>c</b>	Subtract line <b>b</b> from line <b>a</b>		<b>c</b>	20,306,050.
<b>d</b>	Amounts included on Part I, line 12, but not on line <b>a</b> :			
	1 Investment expenses not included on Part I, line 6b	<b>d1</b>		
	2 Other (specify): _____	<b>d2</b>		
	Add lines <b>d1</b> and <b>d2</b>		<b>d</b>	
<b>e</b>	<b>Total revenue</b> (Part I, line 12). Add lines <b>c</b> and <b>d</b>		<b>e</b>	20,306,050.

**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>	19,155,001.
<b>b</b>	Amounts included on line <b>a</b> but not on Part I, line 17:			
	1 Donated services and use of facilities	<b>b1</b>		
	2 Prior year adjustments reported on Part I, line 20	<b>b2</b>		
	3 Losses reported on Part I, line 20	<b>b3</b>		
	4 Other (specify): _____	<b>b4</b>		
	Add lines <b>b1</b> through <b>b4</b>		<b>b</b>	
<b>c</b>	Subtract line <b>b</b> from line <b>a</b>		<b>c</b>	19,155,001.
<b>d</b>	Amounts included on Part I, line 17, but not on line <b>a</b> :			
	1 Investment expenses not included on Part I, line 6b	<b>d1</b>		
	2 Other (specify): _____	<b>d2</b>		
	Add lines <b>d1</b> and <b>d2</b>		<b>d</b>	
<b>e</b>	<b>Total expenses</b> (Part I, line 17). Add lines <b>c</b> and <b>d</b>		<b>e</b>	19,155,001.

**Part V-A Current Officers, Directors, Trustees, and Key Employees** (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated) (See the 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 plans	(E) Expense account and other allowances
SEE STATEMENT 10		853,776.	13,303.	0.



**Part VI Other Information (continued)**

		Yes	No
<b>82 a</b>	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
<b>82 b</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 in Part III.)		N/A
<b>83 a</b>	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
<b>83 b</b>	Did the organization comply with the disclosure requirements relating to <i>quid pro quo</i> contributions?	X	
<b>84 a</b>	Did the organization solicit any contributions or gifts that were not tax deductible?		X
<b>84 b</b>	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		N/A
<b>85 a</b>	<b>501(c)(4), (5), or (6) organizations</b> Were substantially all dues nondeductible by members?		N/A
<b>85 b</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, <b>do not</b> complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.			
<b>85 c</b>	Dues, assessments, and similar amounts from members		N/A
<b>85 d</b>	Section 162(e) lobbying and political expenditures		N/A
<b>85 e</b>	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		N/A
<b>85 f</b>	Taxable amount of lobbying and political expenditures (line 85d less 85e)		N/A
<b>85 g</b>	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		N/A
<b>85 h</b>	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
<b>86 a</b>	<b>501(c)(7) organizations</b> Enter: <b>a</b> Initiation fees and capital contributions included on line 12		N/A
<b>86 b</b>	Gross receipts, included on line 12, for public use of club facilities		N/A
<b>87 a</b>	<b>501(c)(12) organizations</b> Enter <b>a</b> Gross income from members or shareholders		N/A
<b>87 b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		N/A
<b>88 a</b>	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
<b>88 b</b>	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes,' complete Part XI		X
<b>89 a</b>	<b>501(c)(3) organizations.</b> Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ 0. ; section 4912 ▶ 0. ; section 4955 ▶ 0.		
<b>89 b</b>	<b>501(c)(3) and 501(c)(4) organizations</b> 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
	<b>c</b> Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶ 0.		
	<b>d</b> Enter: Amount of tax on line 89c, above, reimbursed by the organization ▶ 0.		
<b>89 e</b>	<b>All organizations</b> At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?		X
<b>89 f</b>	<b>All organizations</b> Did the organization acquire a direct or indirect interest in any applicable insurance contract?		X
<b>89 g</b>	<b>For supporting organizations and sponsoring organizations maintaining donor advised funds</b> Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		X
<b>90 a</b>	List the states with which a copy of this return is filed ▶ <u>IL</u>		
<b>90 b</b>	Number of employees employed in the pay period that includes March 12, 2006 (See instructions.)		763
<b>91 a</b>	The books are in care of ▶ <u>CHARLOTTE JONES</u> Telephone number ▶ <u>618-465-0044</u> Located at ▶ <u>#4 EMMIE L. KAUS LANE, ALTON IL,</u> ZIP + 4 ▶ <u>62002</u>		
<b>91 b</b>	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If 'Yes,' enter the name of the foreign country ▶ _____		X

See the instructions for exceptions and filing requirements for **Form TD F 90-22.1**, Report of Foreign Bank and Financial Accounts.

**Part VI Other Information** (continued)

c At any time during the calendar year, did the organization maintain an office outside of the United States?

	Yes	No
91c		X

If 'Yes,' enter the name of the foreign country

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here

N/A

and enter the amount of tax-exempt interest received or accrued during the tax year

92 N/A

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

Note: Enter gross amounts unless otherwise indicated

- 93 Program service revenue:
  - a SEE STATEMENT 13
  - 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 MISCELLANEOUS
- c
- 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 a					16,840,200.
93 b					
93 c					
93 d					
93 e					
94					
95			14	72,795.	
96					
97					
98					
99					
100					819.
101					
102					5,308.
103 a					
103 b			1	50,769.	
103 c					
103 d					
103 e					
104				123,564.	16,846,327.
105					16,969,891.

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 the 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)

SEE STATEMENT 14

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See the 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%			
	0%			

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

**Part XI Information Regarding Transfers To and From Controlled Entities.** Complete only if the organization is a controlling organization as defined in section 512(b)(13).

**106** Did the reporting organization **make** any transfers **to** a controlled entity as defined in section 512(b)(13) of the Code? If 'Yes,' complete the schedule below for each controlled entity

Yes	No
	X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	-----			
b	-----			
c	-----			
<b>Totals</b>				

**107** Did the reporting organization **receive** any transfers **from** a controlled entity as defined in section 512(b)(13) of the Code? If 'Yes,' complete the schedule below for each controlled entity

Yes	No
	X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	-----			
b	-----			
c	-----			
<b>Totals</b>				

**108** Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?

Yes	No
	X

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.

**Please Sign Here**

▶ Charlotte Jones Signature of officer      Date 10-29-07

▶ Charlotte Jones / CEO Type or print name and title

**Paid Preparer's Use Only**

Preparer's signature ▶ Stacey L Eccles      Date 10/18/07      Check if self-employed       Preparer's SSN or PTIN (See General Instruction W) P00287888

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ HUGHES & ASSOCIATES, CPA, PC  
 ▶ 1321 D'ADRIAN PROFESSIONAL PRK  
GODFREY, IL 62035      EIN ▶ 37-1320959  
 Phone no ▶ (618) 466-6278

**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 4947(a)(1) Nonexempt Charitable Trust

**2006**

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

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
SEE STATEMENT 15		50,696.	2,101.	0.
Total number of other employees paid over \$50,000 ▶	0			

**Part II A 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
SEE STATEMENT 16		3,407,160.
Total number of others receiving over \$50,000 for professional services ▶	0	

**Part II B Compensation of the Five Highest Paid Independent Contractors for Other Services**  
(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter 'None.' See instructions.)

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

**BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990 and Form 990-EZ.**

Schedule A (Form 990 or 990-EZ) 2006

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

**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                       
(Must equal amounts on line 38, Part VI-A, or line I of Part VI-B.)

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.

**2** 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 )

**a** Sale, exchange, or leasing of property?

**b** Lending of money or other extension of credit?

**c** Furnishing of goods, services, or facilities?

**d** Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?

**e** Transfer of any part of its income or assets?

**3a** Did the organization make grants for scholarships, fellowships, student loans, etc? (If 'Yes,' attach an explanation of how the organization determines that recipients qualify to receive payments )

**b** Did the organization have a section 403(b) annuity plan for its employees?

**c** Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If 'Yes,' attach a detailed statement

**d** Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?

**4a** Did the organization maintain any donor advised funds? If 'Yes,' complete lines 4b through 4g If 'No,' complete lines 4f and 4g

**b** Did the organization make any taxable distributions under section 4966?

**c** Did the organization make a distribution to a donor, donor advisor, or related person?

**d** Enter the total number of donor advised funds owned at the end of the tax year ▶ \_\_\_\_\_

**e** Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year ▶ \_\_\_\_\_

**f** Enter the total number of separate funds or accounts owned at the end of the tax year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts ▶ \_\_\_\_\_

**g** Enter the aggregate value of assets held in all funds or accounts included on line 4f at the end of the tax year ▶ \_\_\_\_\_

	Yes	No
<b>1</b>		X
<b>2a</b>		X
<b>2b</b>		X
<b>2c</b>		X
<b>2d</b>		X
<b>2e</b>		X
<b>3a</b>		X
<b>3b</b>		X
<b>3c</b>		X
<b>3d</b>		X
<b>4a</b>		X
<b>4b</b>		X
<b>4c</b>		X

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

I certify that 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 otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization: ▶  
 Type I     Type II     Type III-Functionally Integrated     Type III-Other

**Provide the following information about the supported organizations.** (See instructions.)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
<b>Total</b>					<b>0.</b>

- 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) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
<b>15</b> Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	3,563,884.	3,616,902.	3,417,455.	3,428,310.	14,026,551.
<b>16</b> Membership fees received					0.
<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	17,700,663.	16,416,408.	16,286,011.	14,623,600.	65,026,682.
<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	56,172.	39,659.	38,076.	59,520.	193,427.
<b>19</b> Net income from unrelated business activities not included in line 18					0.
<b>20</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0.
<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					0.
<b>22</b> Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets SEE STMT 17	98,610.	106,857.	33,676.	49,564.	288,707.
<b>23</b> Total of lines 15 through 22	21,419,329.	20,179,826.	19,775,218.	18,160,994.	79,535,367.
<b>24</b> Line 23 minus line 17	3,718,666.	3,763,418.	3,489,207.	3,537,394.	14,508,685.
<b>25</b> Enter 1% of line 23	214,193.	201,798.	197,752.	181,610.	

**26 Organizations described on lines 10 or 11:** a Enter 2% of amount in column (e), line 24 N/A **26a**

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 2002 through 2005 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts **26b**

c Total support for section 509(a)(1) test. Enter line 24, column (e) **26c**

d Add: Amounts from column (e) for lines **18** \_\_\_\_\_ **19** \_\_\_\_\_  
**22** \_\_\_\_\_ **26b** \_\_\_\_\_ **26d**

e Public support (line 26c minus line 26d total) **26e**

f **Public support percentage (line 26e (numerator) divided by line 26c (denominator))** **26f** %

**27 Organizations described on line 12:**

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  
 (2005) \_\_\_\_\_ 0. (2004) \_\_\_\_\_ 0. (2003) \_\_\_\_\_ 0. (2002) \_\_\_\_\_ 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 11b, 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:  
 (2005) \_\_\_\_\_ 0. (2004) \_\_\_\_\_ 0. (2003) \_\_\_\_\_ 0. (2002) \_\_\_\_\_ 0.

c Add: Amounts from column (e) for lines: **15** 14,026,551. **16** \_\_\_\_\_  
**17** 65,026,682. **20** \_\_\_\_\_ **21** \_\_\_\_\_ **27c** 79,053,233.

d Add: Line 27a total \_\_\_\_\_ 0. and line 27b total \_\_\_\_\_ 0. **27d** 0.

e Public support (line 27c total minus line 27d total) **27e** 79,053,233.

f Total support for section 509(a)(2) test. Enter amount from line 23, column (e) **27f** 79,535,367.

g **Public support percentage (line 27e (numerator) divided by line 27f (denominator))** **27g** 99.39 %

h **Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))** **27h** 0.24 %

**28 Unusual Grants:** For an organization described in line 10, 11, or 12 that received any unusual grants during 2002 through 2005, 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
<b>29</b> 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?		
<b>30</b> 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?		
<b>31</b> 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.) ----- ----- -----		
<b>32</b> Does the organization maintain the following:		
<b>a</b> Records indicating the racial composition of the student body, faculty, and administrative staff?		
<b>b</b> Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
<b>c</b> Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
<b>d</b> 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.) ----- -----		
<b>33</b> Does the organization discriminate by race in any way with respect to:		
<b>a</b> Students' rights or privileges?		
<b>b</b> Admissions policies?		
<b>c</b> Employment of faculty or administrative staff?		
<b>d</b> Scholarships or other financial assistance?		
<b>e</b> Educational policies?		
<b>f</b> Use of facilities?		
<b>g</b> Athletic programs?		
<b>h</b> Other extracurricular activities?  If you answered 'Yes' to any of the above, please explain. (If you need more space, attach a separate statement.) ----- ----- -----		
<b>34a</b> Does the organization receive any financial aid or assistance from a governmental agency?		
<b>b</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.		
<b>35</b> 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.		

**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) 2006	(b) 2005	(c) 2004	(d) 2003	(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**

(For reporting only by organizations that did not complete Part VI-A) (See instructions.)

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:

- a** Volunteers
- b** Paid staff or management (Include compensation in expenses reported on lines **c** through **h**.)
- c** Media advertisements
- d** Mailings to members, legislators, or the public
- e** Publications, or published or broadcast statements
- f** Grants to other organizations for lobbying purposes
- g** Direct contact with legislators, their staffs, government officials, or a legislative body
- h** Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i** Total lobbying expenditures (add lines **c** through **h**.)

Yes	No	Amount

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:	2005 NISSAN ALTIMA V2		
DATE ACQUIRED:	3/03/2007		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	6/07/2007		
TO WHOM SOLD:			
GROSS SALES PRICE:	11,500.		
COST OR OTHER BASIS:	14,375.	GAIN (LOSS)	-2,875.
DESCRIPTION:	LANTECH STRETCH WRAP		
DATE ACQUIRED:	12/31/2004		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	7/18/2006		
TO WHOM SOLD:			
GROSS SALES PRICE:	8,000.		
COST OR OTHER BASIS:	9,050.	GAIN (LOSS)	-1,050.
DESCRIPTION:	1984 CHEVY VAN V-95		
DATE ACQUIRED:	6/30/1999		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	12/29/2006		
TO WHOM SOLD:			
GROSS SALES PRICE:	250.		
COST OR OTHER BASIS:	0.	GAIN (LOSS)	250.
DESCRIPTION:	V24 1990 FORD F250		
DATE ACQUIRED:	10/31/2001		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	11/01/2006		
TO WHOM SOLD:			
GROSS SALES PRICE:	1,200.		
COST OR OTHER BASIS:	156.	GAIN (LOSS)	1,044.
DESCRIPTION:	FORK LIFT		
DATE ACQUIRED:	3/30/1974		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	1/17/2007		
TO WHOM SOLD:			
GROSS SALES PRICE:	500.		
COST OR OTHER BASIS:	0.	GAIN (LOSS)	500.
DESCRIPTION:	FLOOR SCRUBBER/BATTERY		
DATE ACQUIRED:	6/30/2006		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	8/01/2006		
TO WHOM SOLD:			
GROSS SALES PRICE:	1,500.		
COST OR OTHER BASIS:	0.	GAIN (LOSS)	1,500.
DESCRIPTION:	SHRINK TUNNEL		

CHALLENGE UNLIMITED, INC.

37-0805566

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

DATE ACQUIRED:	12/31/2004		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	2/01/2007		
TO WHOM SOLD:			
GROSS SALES PRICE:	250.		
COST OR OTHER BASIS:	0.		
		GAIN (LOSS)	250.
DESCRIPTION:	EQUIPMENT		
DATE ACQUIRED:	VARIOUS		
HOW ACQUIRED:	PURCHASE		
DATE SOLD:	3/09/2007		
TO WHOM SOLD:			
GROSS SALES PRICE:	1,200.		
COST OR OTHER BASIS:	0.		
		GAIN (LOSS)	1,200.
TOTAL GAIN (LOSS) OTHER ASSETS			<u>\$ 819.</u>
TOTAL NET GAIN (LOSS) FROM NONINVENTORY SALES			<u>\$ 819.</u>

**STATEMENT 2**  
**FORM 990, PART I, LINE 10**  
**GROSS PROFIT (LOSS) FROM SALES OF INVENTORY**

DIAL RESALE	\$	5,308.
GROSS SALES	\$	5,308.
LESS RETURNS & ALLOWANCES		0.
NET SALES	\$	5,308.
LESS COST OF GOODS SOLD		0.
GROSS PROFIT FROM SALES OF INVENTORY	\$	<u>5,308.</u>

**STATEMENT 3**  
**FORM 990, PART II, LINE 25A**  
**COMPENSATION OF OFFICERS, DIRECTORS, ETC.**

COMPENSATION RECEIVED	(A)	(B)	(C)	(D)
NAME	TOTAL	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING
J. THOMAS MOEHN	202,125.	0.	202,125.	0.
MICHAEL ROBINSON	58,647.	0.	58,647.	0.
JIM KASTEN	0.	0.	0.	0.
STEVE BRENEGAN	75,968.	0.	75,968.	0.
CHARLOTTE JONES	59,962.	0.	59,962.	0.
GEORGE DAVIS	0.	0.	0.	0.
JOHN GIBBONS	0.	0.	0.	0.
JOHN GILLILAND	132,143.	0.	132,143.	0.
DIANE TEBBE	61,955.	0.	61,955.	0.
SANDRA CURRAN	0.	0.	0.	0.
STEPHANIE BROWN	64,361.	0.	64,361.	0.

## CHALLENGE UNLIMITED, INC.

37-0805566

**STATEMENT 3 (CONTINUED)**  
**FORM 990, PART II, LINE 25A**  
**COMPENSATION OF OFFICERS, DIRECTORS, ETC.**

JEFFERY ALLSMAN	63,243.	0.	63,243.	0.
FLOYD RAGLIN	0.	0.	0.	0.
ROSE GIBSON	0.	0.	0.	0.
DEBRA MCMAHON	79,867.	0.	79,867.	0.
KRESCENE BECK	55,505.	0.	55,505.	0.
DONALD SCHWAAB	0.	0.	0.	0.
JAMES GREEN	0.	0.	0.	0.
ROLAND BANKS	0.	0.	0.	0.

TOTAL \$	853,776.\$	0.\$	853,776.\$	0.
----------	------------	------	------------	----

EMPLOYEE BENEFIT PLAN CONTRIBUTION	(A)	(B)	(C)	(D)
NAME	TOTAL	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING
J. THOMAS MOEHN	0.	0.	0.	0.
MICHAEL ROBINSON	1,360.	0.	1,360.	0.
JIM KASTEN	0.	0.	0.	0.
STEVE BRENEGAN	2,162.	0.	2,162.	0.
CHARLOTTE JONES	0.	0.	0.	0.
GEORGE DAVIS	0.	0.	0.	0.
JOHN GIBBONS	0.	0.	0.	0.
JOHN GILLILAND	0.	0.	0.	0.
DIANE TEBBE	2,030.	0.	2,030.	0.
SANDRA CURRAN	0.	0.	0.	0.
STEPHANIE BROWN	2,245.	0.	2,245.	0.
JEFFERY ALLSMAN	2,245.	0.	2,245.	0.
FLOYD RAGLIN	0.	0.	0.	0.
ROSE GIBSON	0.	0.	0.	0.
DEBRA MCMAHON	2,171.	0.	2,171.	0.
KRESCENE BECK	1,090.	0.	1,090.	0.
DONALD SCHWAAB	0.	0.	0.	0.
JAMES GREEN	0.	0.	0.	0.
ROLAND BANKS	0.	0.	0.	0.

TOTAL \$	13,303.\$	0.\$	13,303.\$	0.
----------	-----------	------	-----------	----

EXPENSE ACCT. & OTHER ALLOWANCES	(A)	(B)	(C)	(D)
NAME	TOTAL	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING
J. THOMAS MOEHN	0.	0.	0.	0.
MICHAEL ROBINSON	0.	0.	0.	0.
JIM KASTEN	0.	0.	0.	0.
STEVE BRENEGAN	0.	0.	0.	0.
CHARLOTTE JONES	0.	0.	0.	0.
GEORGE DAVIS	0.	0.	0.	0.
JOHN GIBBONS	0.	0.	0.	0.
JOHN GILLILAND	0.	0.	0.	0.
DIANE TEBBE	0.	0.	0.	0.
SANDRA CURRAN	0.	0.	0.	0.
STEPHANIE BROWN	0.	0.	0.	0.
JEFFERY ALLSMAN	0.	0.	0.	0.
FLOYD RAGLIN	0.	0.	0.	0.
ROSE GIBSON	0.	0.	0.	0.
DEBRA MCMAHON	0.	0.	0.	0.
KRESCENE BECK	0.	0.	0.	0.
DONALD SCHWAAB	0.	0.	0.	0.
JAMES GREEN	0.	0.	0.	0.

## CHALLENGE UNLIMITED, INC.

37-0805566

**STATEMENT 3 (CONTINUED)**  
**FORM 990, PART II, LINE 25A**  
**COMPENSATION OF OFFICERS, DIRECTORS, ETC.**

ROLAND BANKS	0.	0.	0.	0.
<b>TOTAL</b>	<b>\$ 0.</b>	<b>\$ 0.</b>	<b>\$ 0.</b>	<b>0.</b>

**STATEMENT 4**  
**FORM 990, PART II, LINE 43**  
**OTHER EXPENSES**

	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT & GENERAL	(D) FUNDRAISING
ADVERTISING	2,994.	2,919.	75.	
BAD DEBT	1,500.		1,500.	
BANK FEES	45,448.	28,753.	16,695.	
BUILDING RENT	6,184.	6,184.		
CONSULTANTS & CONTRACTUAL	7,317,445.	7,280,025.	37,420.	
CONVICTION INFO	9,494.	8,977.	517.	
DUES	29,690.		29,690.	
INCENTIVE PROGRAM	20,375.	8,428.	11,947.	
LICENSES & FEES	9,608.	6,418.	3,190.	
MISCELLANEOUS ADMIN	1,725.	1,725.		
OTHER INSURANCE	35,264.	2,717.	32,547.	
PAGER	1,745.	1,745.		
PETTY CASH OVER/SHORT	67.	67.		
PROFESSIONAL FEES	12,891.	272.	12,619.	
PUBLIC RELATIONS	17,754.	1,848.	15,906.	
RECRUITING	39,137.	35,460.	3,677.	
REFERENCE MATERIALS	5,527.	1,094.	4,433.	
SAFETY	643.		643.	
SALES COMMISSIONS	468,755.	468,755.		
SEMINARS & CLASSES	10,815.	6,058.	4,757.	
SUBSCRIPTIONS	5,476.	1,053.	4,423.	
TRAINING	6,987.	869.	6,118.	
VEHICLE GAS & MAINTENANCE	209,738.	204,180.	5,558.	
VEHICLE INSURANCE	62,610.	59,700.	2,910.	
VEHICLE LEASE	15,905.	1,689.	14,216.	
VEHICLE MISCELLANEOUS	27,623.	26,484.	1,139.	
<b>TOTAL</b>	<b>\$ 8,365,400.</b>	<b>\$ 8,155,420.</b>	<b>\$ 209,980.</b>	<b>\$ 0.</b>

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

CATEGORY	BASIS	ACCUM. DEPREC.	BOOK VALUE
AUTOMOBILES / TRANSPORTATION EQUIPMENT	\$ 1,004,916.	\$ 778,512.	\$ 226,404.
FURNITURE AND FIXTURES	1,734,158.	931,094.	803,064.
BUILDINGS	7,483,260.	3,551,559.	3,931,701.
IMPROVEMENTS	658,520.	478,613.	179,907.

CHALLENGE UNLIMITED, INC.

37-0805566

**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>\$ 11,471,945.</u>	<u>\$ 5,739,778.</u>	<u>\$ 5,732,167.</u>

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

UNAMORTIZED LOAN DISCOUNTS AND COSTS	TOTAL	\$ 179,497.
		<u>\$ 179,497.</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:		\$ 560,000.
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:		2,830,000.
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:		1,465,000.
	TOTAL	<u>\$ 4,975,000.</u>

CHALLENGE UNLIMITED, INC.

37-0805566

**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:		\$	55,646.
		TOTAL \$	<u>605,646.</u>

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

RELATED ACCOUNTS PAYABLE		\$	55,223.
	TOTAL \$	<u>55,223.</u>	

**STATEMENT 10  
FORM 990, PART V-A  
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>
J. THOMAS MOEHN 5029 VALLEYVIEW DRIVE ALTON, IL 62002	PRESIDENT/CEO 38	\$ 202,125.	\$ 0.	\$ 0.
MICHAEL ROBINSON 6249 TESSON PARK DR HAZELWOOD, MO 63042	VP MIS 38	58,647.	1,360.	0.
JIM KASTEN 7512 TIMBERCREST GODFREY, IL 62035	DIRECTOR 1	0.	0.	0.

CHALLENGE UNLIMITED, INC.

37-0805566

**STATEMENT 10 (CONTINUED)**  
**FORM 990, PART V-A**  
**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>
STEVE BRENEGAN 5711 SIR GAWAIN GODFREY, IL 62002	EXEC VP MRKTN 38	\$ 75,968.	\$ 2,162.	\$ 0.
CHARLOTTE JONES 3947 MCREE ST. LOUIS, MO 63110	EXEC VP FINANCE 38	59,962.	0.	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.
JOHN GILLILAND 15513 WINDSOR RIDGE CT CHESTERFIELD, MO 63017	EXEC VP OPERATI 38	132,143.	0.	0.
DIANE TEBBE 820 COPPER RIDGE MARYVILLE, IL 62062	VP RESIDENTIAL 38	61,955.	2,030.	0.
SANDRA CURRAN 306 ALEXANDER DRIVE EDWARDSVILLE, IL 62025	SECRETARY 1	0.	0.	0.
STEPHANIE BROWN 4900 PARIS DR GODFREY, IL 62035	VP DT 38	64,361.	2,245.	0.
JEFFERY ALLSMAN 304 HICKORY DRIVE BETHALTO, IL 62010	VP OF SUPPORT 0	63,243.	2,245.	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 304 HICKORY DRIVE BETHALTO, IL 62010	EXEC VP HR 38	79,867.	2,171.	0.

CHALLENGE UNLIMITED, INC.

37-0805566

**STATEMENT 10 (CONTINUED)**  
**FORM 990, PART V-A**  
**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>
KRESCENE BECK 517 EAST FRANKLIN EDWARDSVILLE, IL 62025	EXEC VP LFE SRV 38	\$ 55,505.	\$ 1,090.	\$ 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	<u>\$ 853,776.</u>	<u>\$ 13,303.</u>	<u>\$ 0.</u>

**STATEMENT 11**  
**FORM 990, PART V-A, LINE 75B**  
**COMPENSATION PAID TO RELATED INDIVIDUALS**

NAME AND RELATIONSHIP

STEVE BRENEGAN

STEVE IS THE OWNER OF A COMPANY WHICH SELLS JANITORIAL AND MAINTENANCE SUPPLIES TO THE ORGANIZATION.

**STATEMENT 12**  
**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	

CHALLENGE UNLIMITED, INC.

37-0805566

**STATEMENT 13  
FORM 990, PART VII, LINE 93  
PROGRAM SERVICE REVENUE**

<u>PROGRAM SERVICE REVENUE</u>	<u>(A) BUSI- NESS CODE</u>	<u>(B) UNRELATED BUSINESS AMOUNT</u>	<u>(C) EXCLU- SION CODE</u>	<u>(D) EXCLUDED AMOUNT</u>	<u>(E) RELATED OR EXEMPT FUNCTION</u>
CONTRACTUAL LABOR					\$ 763,867.
DAY TRAINING/PRIVATE PAY					31,477.
FOOD SERVICE INCOME					3,602,130.
GROUNDSKEEPING INCOME					2,518,895.
JANITORIAL INCOME					7,735,560.
MAILROOM INCOME					60,185.
MNGMNT FEE FROM 501C3'S					351,000.
NURSE'S AID TRAINING					20,058.
PRODUCTION INCOME					628,384.
RECYCLING INCOME					353,618.
REIMBURSABLE INCOME					98,002.
RENT FROM RELT 501C3 ORG					516,000.
RLTD 501C3 LABOR CHARGE					147,369.
TBI					11,117.
TRANSPORTATION INCOME					430.
VENDING INCOME					2,108.
TOTAL		<u>\$ 0.</u>		<u>\$ 0.</u>	<u>\$ 16,840,200.</u>

**STATEMENT 14  
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 15  
SCHEDULE A, PART I  
COMPENSATION OF FIVE HIGHEST PAID EMPLOYEES**

NAME AND ADDRESS	TITLE & AVERAGE HOURS WORKED	COMPEN- SATION	CONTRIBUT. EBP & DC	EXPENSE ACCOUNT
LEONARD POETTKER 1119 UNION AVENUE BELLEVILLE, IL 62220	DIR OF HR 38	50,696.	2,101.	0.
		TOTAL \$ 50,696.	\$ 2,101.	\$ 0.

**STATEMENT 16  
SCHEDULE A, PART II-A  
COMPENSATION OF FIVE HIGHEST PAID PROFESSIONAL SERVICE CONTRACTORS**

NAME AND ADDRESS	TYPE OF SERVICE	COMPENSATION
SPECIALIZED PROFESSIONAL SERVICES, INC 4 EMMIE KAUS LANE, ALTON, IL 62002 ALTON, IL 62002	LABOR	1,131,208.
MUNIE OUTDOOR SERVICES 1000 MILBURN SCHOOL ROAD, CASEYVILLE IL 60677 CASEYVILLE, IL 62232	LABOR	1,791,055.
LABOR READY MIDWEST 1002 SOLUTIONS CENTER CHICAGO, IL 60677	LABOR	65,764.
NISH PO BOX 791236 BALTIMORE, MD 21279-1236	SUBCONTRACT	419,133.
		TOTAL \$ 3,407,160.

**STATEMENT 17  
SCHEDULE A, PART IV-A, LINE 22  
OTHER INCOME**

DESCRIPTION	(A) 2005	(B) 2004	(C) 2003	(D) 2002	(E) TOTAL
MISCELLANEOUS	\$ 98,610.	\$ 106,857.	\$ 33,676.	\$ 49,564.	\$ 288,707.
TOTAL	\$ 98,610.	\$ 106,857.	\$ 33,676.	\$ 49,564.	\$ 288,707.

CLIENT 00039

CHALLENGE UNLIMITED, INC.

37-0805566

10/18/07

02:42PM

ATTACHMENT TO 990 PAGE 4, 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, LOSSES ARE REPORTED SEPARATELY FROM THE FUNCTIONAL EXPENSE ON THE 990. THE FOLLOWING IS A RECONCILIATION OF TH AUDITED STATEMENT OF FUNCTIONAL EXPENSES, AND THE FUNCTIONAL EXPENSES AS REPORTED ON THE 990.

PROGRAM SERVICES PER AUDITED FINANCIAL STATEMENTS	\$16,512,697
PROGRAM SERVICES PER 990 PAGE 2	16,508,773
DIFFERENCE = LOSS ON SALE OF ASSETS	\$ 3,925

MANAGEMENT & GENERAL PER AUDITED FINANCIAL STATEMENTS	\$ 2,646,229
MANAGEMENT & GENERAL PER 990 PAGE 2	2,646,229
DIFFERENCE	\$ 0

TOTAL FUNCTIONAL EXPENSES PER AUDITED FINANCIAL STATEMENTS	\$19,158,926
TOTAL FUNCTIONAL EXPENSES PER 990 PAGE 2	19,155,001
DIFFERENCE = TOTAL LOSSES ON SALES	\$ 3,925

GAINS/LOSSES REPORTED ON TAX RETURN	
SALE OF 2005 NISSAN ALTIMA V2	\$ ( 2,875)
SALE OF LANTECH STRETCH WRAP	( 1,050)
TOTAL LOSSES ON SALES	( 3,925)
NET OF GAINS ON SALES	4,744
NET GAINS/LOSSES SHOWN ON LINE 8D ON 990	\$ 819

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, 2007, was \$22,050.

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>2007</u>
Revenue:			
Day Training	\$ 973,545	\$ -	\$ 973,545
Management Fees	348,000	3,000	351,000
Contract Labor	89,513	58,121	147,634
Building Rental	513,000	-	513,000
Equipment Rental	1,865	128	1,993
Supplie	435	-	435
Total Revenue	<u>1,926,358</u>	<u>61,249</u>	<u>1,987,607</u>
Expenses:			
Interest Expense	27,500	-	27,500
Contract Labor	-	1,131,208	1,131,208
Total Expenses	<u>27,500</u>	<u>1,131,208</u>	<u>1,158,708</u>
ACCOUNTS RECEIVABLE - RELATED	<u>157,819</u>	<u>-</u>	<u>157,819</u>
ACCOUNTS PAYABLE - RELATED	<u>42,804</u>	<u>\$ 12,419</u>	<u>55,223</u>
NOTES PAYABLE - RELATED	<u>\$ 550,000</u>		<u>\$ 550,000</u>