

Aspire

Financial Report
June 30, 2019

Contents

Independent auditor's report	1-2
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Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-20



RSM US LLP

Independent Auditor's Report

Board of Directors
Aspire

Report on the Financial Statements

We have audited the accompanying financial statements of Aspire, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspire as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Aspire adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during 2019. The adoption of this standard resulted in additional footnote disclosures and significant changes to classification of net assets and the disclosures related to net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

Chicago, Illinois
November 20, 2019

Aspire

Statements of Financial Position June 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 22,904	\$ 45,555
Investments	1,484,431	1,104,278
Accounts receivable:		
Pledges receivable	721,126	270,515
Contracts, State of Illinois and other, less allowance for doubtful accounts of \$18,000 in 2019 and \$80,000 in 2018	394,854	359,006
Prepaid expenses	63,197	65,517
Deposits	10,235	10,235
Deferred compensation, managed fund	93,139	82,231
Property and equipment, net	7,741,854	8,292,910
	<u>7,741,854</u>	<u>8,292,910</u>
Total assets	\$ 10,531,740	\$ 10,230,247
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 365,531	\$ 371,435
Accrued expenses:		
Salaries and related payroll taxes	525,054	521,107
Other	43,787	7,387
Line of credit, net	788,426	1,255,224
Long-term debt, net	1,430,822	1,492,723
Other liabilities	7,157	18,493
Deferred compensation liability	93,139	82,231
Total liabilities	3,253,916	3,748,600
Net Assets:		
Without donor restrictions	6,384,191	6,268,623
With donor restrictions	893,633	213,024
Total net assets	7,277,824	6,481,647
	<u>7,277,824</u>	<u>6,481,647</u>
Total liabilities and net assets	\$ 10,531,740	\$ 10,230,247
	<u>\$ 10,531,740</u>	<u>\$ 10,230,247</u>

See notes to financial statements.

Aspire

Statements of Activities Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Fees and grants from government agencies (net of bad debt allowances of \$22,488 and \$117,768, respectively)	\$6,639,535	\$ -	\$6,639,535	\$6,011,109	\$ -	\$6,011,109
Participant/family fees (net of bad debt allowances of \$8,745 and \$90,456, respectively)	1,271,481	-	1,271,481	1,183,355	-	1,183,355
Contracts for goods and services and other income (net of cost of goods sold of \$263,139 and \$209,528 and bad debt allowance of \$694 and \$8,395, respectively)	170,214	-	170,214	127,278	-	127,278
Investment returns	99,965	-	99,965	105,447	-	105,447
Total revenue	8,181,195	-	8,181,195	7,427,189	-	7,427,189
Public support:						
Contributions	890,532	1,301,896	2,192,428	2,149,309	213,024	2,362,333
Special events (net of related expenses of \$299,154 and \$177,855, respectively)	258,496	-	258,496	366,141	-	366,141
Total public support	1,149,028	1,301,896	2,450,924	2,515,450	213,024	2,728,474
Net assets released from restrictions	621,287	(621,287)	-	179,269	(179,269)	-
Total revenue and public support	9,951,510	680,609	10,632,119	10,121,908	33,755	10,155,663
Expenses:						
Program services:						
Aspire Kids	1,058,858	-	1,058,858	1,220,290	-	1,220,290
Aspire Careers	1,046,622	-	1,046,622	1,051,192	-	1,051,192
Aspire Living	5,402,664	-	5,402,664	5,382,759	-	5,382,759
Aspire CoffeeWorks	152,094	-	152,094	130,330	-	130,330
Total program services	7,660,238	-	7,660,238	7,784,571	-	7,784,571
Supporting services:						
Advancement department	727,331	-	727,331	649,264	-	649,264
Management and general	1,527,196	-	1,527,196	1,575,141	-	1,575,141
Total supporting services	2,254,527	-	2,254,527	2,224,405	-	2,224,405
Total expenses	9,914,765	-	9,914,765	10,008,976	-	10,008,976
Increase in net assets before other items	36,745	680,609	717,354	112,932	33,755	146,687
Other Income (Expense):						
Gain (loss) on sale of property	78,823	-	78,823	(2,101)	-	(2,101)
Increase in net assets	115,568	680,609	796,177	110,831	33,755	144,586
Net assets:						
Beginning of year	6,268,623	213,024	6,481,647	6,157,792	179,269	6,337,061
End of year	\$6,384,191	\$ 893,633	\$7,277,824	\$6,268,623	\$213,024	\$6,481,647

See notes to financial statements.

Aspire

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services					Supporting Services			Grand Total
	Aspire Kids	Aspire Careers	Aspire Living	Aspire CoffeeWorks	Total Program Services	Advancement Department	Management and General	Total Supporting Services	
Salaries and benefits	\$ 719,339	\$ 710,983	\$ 3,967,807	\$ 94,227	\$ 5,492,356	\$ 396,571	\$ 1,107,682	\$ 1,504,253	\$ 6,996,609
Supplies	8,257	12,171	99,085	1,358	120,871	15,012	9,639	24,651	145,522
Telephone	14,542	11,375	62,535	896	89,348	6,088	9,943	16,031	105,379
Postage and shipping	963	533	533	26	2,055	2,594	1,287	3,881	5,936
Occupancy	91,344	92,191	540,342	11,836	735,713	32,134	37,991	70,125	805,838
Equipment rental and maintenance	3,524	3,712	6,558	200	13,994	1,998	3,020	5,018	19,012
Printing and publications	379	1,164	679	2,634	4,856	9,307	617	9,924	14,780
Travel	11,304	36,263	113,365	5,247	166,179	967	6,220	7,187	173,366
Interest	228	321	70,238	30	70,817	115	31,388	31,503	102,320
Depreciation and amortization	110,255	138,690	249,406	22,302	520,653	63,748	66,570	130,318	650,971
Consulting/professional	90,325	34,025	277,817	8,370	410,537	167,783	221,912	389,695	800,232
Membership, dues and licenses	2,060	2,811	11,406	1,272	17,549	9,220	14,387	23,607	41,156
Advertising	5,681	2,329	2,279	855	11,144	2,785	220	3,005	14,149
Merchant Fees & Bank Charges	657	54	614	2,841	4,166	19,009	16,320	35,329	39,495
	\$ 1,058,858	\$ 1,046,622	\$ 5,402,664	\$ 152,094	\$ 7,660,238	\$ 727,331	\$ 1,527,196	\$ 2,254,527	\$ 9,914,765

See notes to financial statements.

Aspire

Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services						Supporting Services			Grand Total
	Aspire Kids	Aspire Careers	Aspire Living	Aspire Coffee/Works	Total Program Services	Advancement Department	Management and General	Total Supporting Services		
Salaries and benefits	\$ 883,537	\$ 699,686	\$ 3,976,482	\$ 94,176	\$ 5,653,881	\$ 415,641	\$ 1,078,911	\$ 1,494,552	\$ 7,148,433	
Supplies	9,150	16,304	94,362	2,114	121,930	8,422	26,279	34,701	156,631	
Telephone	20,625	14,164	76,525	334	111,648	1,333	17,729	19,062	130,710	
Postage and shipping	1,973	204	144	803	3,124	4,581	1,898	6,479	9,603	
Occupancy	92,649	101,660	506,910	4,529	705,748	38,567	43,495	82,062	787,810	
Equipment rental and maintenance	1,520	1,549	2,714	14	5,797	262	1,014	1,276	7,073	
Printing and publications	-	382	2	-	384	11,665	56	11,721	12,105	
Travel	13,550	35,243	131,237	3,551	183,581	1,212	1,128	2,340	185,921	
Interest	917	1,848	75,774	38	78,577	191	44,907	45,098	123,675	
Depreciation and amortization	136,297	139,148	251,840	18,129	545,414	32,769	85,822	118,591	664,005	
Consulting/professional	57,042	39,268	265,289	2,759	364,358	102,362	242,762	345,124	709,482	
Membership, dues and licenses	363	1,159	707	1,065	3,294	7,146	14,163	21,309	24,603	
Advertising	-	573	605	-	1,178	1,073	503	1,576	2,754	
Merchant Fees & Bank Charges	2,667	4	168	2,818	5,657	24,040	16,474	40,514	46,171	
	\$ 1,220,290	\$ 1,051,192	\$ 5,382,759	\$ 130,330	\$ 7,784,571	\$ 649,264	\$ 1,575,141	\$ 2,224,405	\$ 10,008,976	

See notes to financial statements.

Aspire

**Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 796,177	\$ 144,586
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	641,563	652,303
Amortization of loan fees	9,408	11,702
(Gain) loss on disposal of property	(78,823)	2,101
Bad debt expense	31,927	216,619
Donated property and equipment	(1,864)	(53,668)
Donated investments	(280,188)	(33,258)
Net realized and unrealized gains on investments	(99,965)	(105,447)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(518,386)	(135,058)
Prepaid expenses	2,320	35,097
Accounts payable	(5,904)	(51,610)
Accrued salaries and related payroll taxes	3,947	(21,505)
Other accrued expenses	36,400	(2,251)
Other liabilities	(11,336)	(9,994)
Net cash provided by operating activities	525,276	649,617
Cash flows from investing activities:		
Purchase of property and equipment	(196,525)	(133,218)
Proceeds from sale of land	186,705	-
Purchase of investments	(237,641)	(266,649)
Proceeds from sale of investments	237,641	266,826
Net cash used in investing activities	(9,820)	(133,041)
Cash flows from financing activities:		
Net payments on line of credit	(469,834)	(176,433)
Principal payments on long-term debt	(68,273)	(382,368)
Net cash used in financing activities	(538,107)	(558,801)
Decrease in cash	(22,651)	(42,225)
Cash:		
Beginning of year	45,555	87,780
End of year	\$ 22,904	\$ 45,555
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 102,320	\$ 123,676

See notes to financial statements.

Aspire

Notes to Financial Statements

Note 1. Nature of Activities

Aspire is a leading provider of services for more than 1,000 children and adults with developmental disabilities and their families in Chicago, Illinois, and the surrounding suburbs. Incorporated as a nonprofit corporation in the State of Illinois in 1960, Aspire's mission is to support the successes of children and adults with developmental disabilities, strengthen their families and build embracing communities. True to the vision of its founders, Aspire focuses on community-based services with a common thread of building independence and promoting inclusion. Aspire conducts its activities from various locations including its headquarters in Hillside, Illinois.

Aspire CoffeeWorks, an enterprise of Aspire, was formed on September 23, 2009 to provide employment opportunities for its clients consistent with its mission, and to create a source of revenue to support program operations.

Aspire is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law. In addition, Aspire qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Aspire CoffeeWorks is a disregarded entity under the IRC.

Aspire has a fiscal year that ends on June 30. Significant accounting policies followed by Aspire are presented below.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: Aspire's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to nonprofit organizations.

Accounting standards: Aspire follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: The majority of funding for Aspire's operations is provided by governmental agencies. Aspire recognizes program revenues in the fiscal year that the services are rendered. Contribution revenues and other support are recognized in the fiscal year that the pledges are received. Grant revenue is recognized when the related grant expenditure has been incurred. Program service fees are recognized as earned and net of allowances.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Aspire

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The expenses and methods of allocation are as follows:

Expense	Method of Allocation
Salaries and benefits	Full Time Equivalent
Supplies	Full Time Equivalent
Telephone	Full Time Equivalent
Postage and shipping	Directly Charged
Occupancy	Square Footage
Equipment rental and maintenance	Full Time Equivalent
Printing and publications	Directly Charged
Travel	Directly Charged
Interest	Directly Charged
Depreciation and amortization	Square Footage
Consulting/professional	Directly Charged
Membership, dues and licenses	Directly Charged
Advertising	Directly Charged
Merchant Fees & Bank Charges	Directly Charged

Cash: Aspire maintains its cash balances in bank accounts which, at times, may exceed federally insured limits. Aspire has not experienced any losses in such accounts and management believes that Aspire is not exposed to any significant credit risk on cash.

Investments: Investments are recorded at fair value. Investment income, realized gains (losses) and change in unrealized gains are recorded in the statements of activities as increases or decreases in unrestricted net assets. Private equity investments are recorded at fair value based on the net asset value (NAV) of the fund.

Accounts receivable: Accounts receivable consist of obligations due primarily from government agencies. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled receivable balances and by using historical experience applied to an aging of accounts. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. Bad debt expense for fiscal year 2019 consists primarily of outstanding billings made to third-party payers during 2019 and 2018 which were deemed uncollectible and written off.

Pledges receivable: Pledges receivable consist of unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. As of June 30, 2019, Aspire’s pledges receivable consisted of unconditional promises to give in the amount of \$721,126, all of which are expected to be collected within one year. As of June 30, 2018, Aspire’s pledges receivable consisted of unconditional promises to give in the amount of \$270,515.

Property and equipment: Property and equipment are carried at cost, except donated assets which are recorded at fair value at date of donation. Assets retired or otherwise disposed of are removed from the accounts at their net carrying amount. Aspire depreciates its property and equipment using primarily the straight-line method over the estimated useful lives of the assets, which are 30 years for buildings, 5 to 30 years for building and leasehold improvements, 5 to 10 years for furnishings and machinery, 5 years for vehicles and 3 years for computer equipment.

Aspire

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Real estate held for sale: Real estate held for sale is recorded at the lower of its carrying amount or fair value less cost to sell, and is not a depreciable asset.

Loan fees: Loan fees are capitalized as incurred and are amortized over the life of the related debt up to 5 years, using a method which approximates the effective interest method. Aspire's loans were refinanced in August 2018 at which time the balance of unamortized loan fees previously capitalized was \$9,408. For the year ended June 30, 2019, the loan fees expensed were \$9,408 due to refinancing and the amount amortized for the year ended June 30, 2018 was \$11,701. The loan fee expenses and amortization are included in depreciation and amortization expense on the accompanying statements of functional expenses.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed restrictions including amounts designated by the Board of Directors for specific purposes.

Net assets with donor restrictions - net assets are subject to donor-imposed restrictions that may or will be met by actions of Aspire or by the passage of time. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose for which the contributions were restricted is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In the absence of donor-imposed restrictions on the use of the assets, contributions of long-lived assets are reported as increases in net assets without donor restrictions when placed in service. Included in net assets with donor restrictions are net assets subject to donor-directed restrictions to be maintained in perpetuity by Aspire.

Contributions: Unconditional promises to give cash and other assets to Aspire are recorded at fair value at the date the promise is made and reported as increases in either net assets with or without donor restrictions.

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Aspire may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Aspire and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in the financial statements.

Aspire files Form 990 in the U.S. federal jurisdiction and the State of Illinois.

Adopted accounting pronouncement: In 2019, Aspire adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. Certain provisions, as required, have been retrospectively applied to 2018.

Aspire

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Pending accounting pronouncements: In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. The updated standard will be effective for Aspire for its fiscal year ending June 30, 2020.

In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for Aspire for its fiscal year ending June 30, 2021, with early adoption permitted.

In 2016, the FASB also issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments and certain equity investments. ASU 2016-01 will be effective for Aspire's June 30, 2020, financial statements.

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The new standard will be effective for Aspire in the fiscal year ending June 30, 2020.

Aspire's management is currently evaluating the impact the accounting pronouncements will have on Aspire's financial statements.

Reclassifications: Certain 2018 amounts have been reclassified to conform to the current year presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

Subsequent events: Aspire has evaluated subsequent events for potential recognition and/or disclosure through November 20, 2019, the date the financial statements were available to be issued.

Note 3. Description of Program and Supporting Services

The following program and supporting service category expenses are reported on the statements of activities:

Aspire Kids is a leader and mobilizing force behind the development of inclusive settings for children and families nationwide through customized, consultative services.

Aspire Careers offers best-in-class job training and job placement in the community for adults with disabilities and works with businesses to create inclusive workplaces.

Aspire Living offers groundbreaking community and independent living opportunities and skill building for adults with disabilities, helping to achieve independence.

Aspire CoffeeWorks is a social enterprise and dynamic partnership between Aspire, Metropolis Coffee Company and Canteen Vending. Adults with disabilities on the Aspire CoffeeWorks team work side-by-side with Metropolis employees to roast and ship coffee to consumers and nearly 100 companies across the country. All of Aspire CoffeeWorks net proceeds benefit Aspire.

Aspire

Notes to Financial Statements

Note 4. Availability and Liquidity

The following represents Aspire's financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 22,904	\$ 45,555
Accounts receivable	1,115,980	629,521
Investments:		
Board designated	1,220,484	1,104,278
Donor endowment	90,000	-
Restricted use	173,947	-
Total financial assets	<u>\$ 2,623,315</u>	<u>\$ 1,779,354</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	893,633	213,024
Board designated investments	1,220,484	1,104,278
	<u>\$ 2,114,117</u>	<u>\$ 1,317,302</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 509,198</u>	<u>\$ 462,052</u>

Aspire's liquidity management plan is to utilize cash in excess of daily requirements to reduce borrowings under the line of credit agreement. Aspire has available credit facilities totaling \$2,900,000 to meet current and future cash flow needs.

Note 5. Investments and Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the topic are described below:

Level 1. Unadjusted quoted prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds and funds of hedge funds.

Aspire

Notes to Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the highest level of input that is significant to the fair value measurement. Aspire's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

For the fiscal years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent, and there are no unfunded commitments at June 30, 2019 and 2018, requiring fair value measurement. The following is a description of the valuation methodology used for investments measured at fair value:

Investment Securities

The fair value of publicly traded mutual funds is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments at June 30, 2019 and 2018, are composed of the following:

	2019	2018
Investment securities:		
Money market funds	\$ 14,959	\$ 8,819
Mutual funds:		
Fixed Income	229,047	212,644
Equity	984,413	651,425
Private equity	256,012	231,390
	<u>\$ 1,484,431</u>	<u>\$ 1,104,278</u>

Dividends, interest and fees totaling \$20,893 and \$16,235, and realized and unrealized gains totaling \$79,072 and \$89,097 for the years ended June 30, 2019 and 2018, respectively, are included in investment return on the statements of activities.

Aspire assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with Aspire's accounting policy. There were no transfers among levels during the years presented.

Aspire

Notes to Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

The following table presents Aspire's fair value measurements on a recurring basis at June 30, 2019 and 2018:

	Fair Value Measurements at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Money market funds	\$ 14,959	\$ -	\$ -	\$ 14,959
Mutual funds:				
Fixed Income	229,047	-	-	229,047
Equity	984,413	-	-	984,413
	<u>\$ 1,228,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,228,419</u>
Investments measured at NAV				<u>256,012</u>
				<u>\$ 1,484,431</u>
	Fair Value Measurements at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Money market funds	\$ 8,819	\$ -	\$ -	\$ 8,819
Mutual funds:				
Fixed Income	212,644	-	-	212,644
Equity	651,425	-	-	651,425
	<u>\$ 872,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>872,888</u>
Investments measured at NAV				<u>231,390</u>
				<u>\$ 1,104,278</u>

For the year ended June 30, 2019, the valuation techniques applied to similar assets and liabilities have been consistent with techniques used in previous years.

Aspire reports the fair value of private equity using the practical expedient method. The practical expedient method allows for the use of NAV, either as reported by the investee fund or as adjusted by Aspire based on various factors. The private equity investment has no redemption restrictions and there are no unfunded commitments.

Aspire

Notes to Financial Statements

Note 6. Property and Equipment

Property and equipment are as follows at June 30:

	2019	2018
Land	\$ 1,219,392	\$ 1,327,274
Buildings	4,994,050	4,994,050
Buildings and leasehold improvements	8,251,612	8,619,064
Furnishings and equipment	1,567,853	1,918,056
Machinery	2,000	30,154
Vehicles	784,401	810,337
Total property and equipment, at cost	16,819,308	17,698,935
Less accumulated depreciation	(9,077,454)	(9,406,025)
	<u>\$ 7,741,854</u>	<u>\$ 8,292,910</u>

Depreciation of property and equipment charged to expense was \$641,563 and \$652,303 for the years ended June 30, 2019 and 2018, respectively. Depreciation expense includes charges related to disposals.

In January 2019, Aspire sold a parcel of land on Litt Drive with an original cost of \$107,882. The net proceeds from the sale of the property was \$186,705 which resulted in a gain on sale of \$78,823.

Note 7. Lease Commitments

At June 30, 2019, the future minimum payments under an equipment lease total \$7,157, due in fiscal year 2020. Interest expense amounted to \$2,697 and \$4,737 in 2019 and 2018, respectively.

Aspire renewed an operating lease effective February 1, 2019 for office space located in Chicago, Illinois. Total rent expense incurred under the operating lease totaled \$70,683 and \$67,163 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments, exclusive of additional operating costs, at June 30, 2019 were:

2020	\$ 71,224
2021	73,717
2022	<u>43,867</u>
	<u>\$ 188,807</u>

Aspire

Notes to Financial Statements

Note 8. Line of Credit

Aspire renegotiated its existing credit facilities with Fifth Third Bank (formerly MB Financial which was acquired by Fifth Third Bank). There are two lines of credit – the first credit facility allows for an operating line of credit of up to \$2,000,000 and expires on August 29, 2021. The agreement is collateralized by a lien on all property and assets of Aspire. Under the current agreement, amounts drawn against the line of credit bear interest at the LIBOR One-Month Daily Index plus 1.75 percentage points over the Index (4.15 and 4.86 percent at June 30, 2019 and 2018, respectively). At no time will the interest rate on the line of credit be less than 3.00 percent per annum.

The second credit facility allows for an operating line of credit of up to \$900,000 and expires August 15, 2021. The agreement is collateralized by a lien on unrestricted investments. Under the current agreement, amounts drawn against the line of credit bear interest at the LIBOR One-Month Daily Index plus 1.00 percentage points over the Index (3.40 percent at June 30, 2019).

The balances as reflected on the statements of financial position at June 30, 2019 and 2018, are as follows:

	2019	2018
Line of credit (\$2,000,000 line)	\$ 488,426	\$ 1,258,260
Line of credit (\$900,000 line)	300,000	-
Less: unamortized loan fees	-	(3,036)
	<u>\$ 788,426</u>	<u>\$ 1,255,224</u>

Aspire manages its financing arrangements by using available excess cash balances, including cash proceeds from restricted contributions, to repay the line of credit. The line then funds payments of expenditures, including those which qualify for reimbursement under restricted contributions (at which time the restrictions are released). Management believes borrowing capacity will be available under the line when qualifying expenditures are due for payment.

Note 9. Long-Term Debt

Long-term debt is as follows at June 30:

	2019	2018
Mortgage note payable to Fifth Third Bank (formerly MB Financial) requiring monthly payments of \$11,015 including interest at 4.64% through August 2023, with a final balloon payment due August 2023. The note is secured by real estate and requires Aspire to maintain certain financial ratios (including a debt service coverage ratio of available cash flow to debt service of not less than 1.10 to 1.00).	\$ 1,430,822	\$ 1,499,095
Less: unamortized loan fees	-	(6,372)
	<u>\$ 1,430,822</u>	<u>\$ 1,492,723</u>

Aspire's previous mortgage loan in the amount of \$1,483,758 was refinanced on August 15, 2018.

Closing costs for the refinancing totaled \$910.

Aspire

Notes to Financial Statements

Note 10. Endowment Fund

In 1992, Aspire's Board of Directors established an endowment fund for the purpose of providing an alternative source of income for Aspire's operations which would ultimately benefit its participants. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's endowment net asset composition by type of fund is as follows for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	Donor Restricted	Total
Board designated	\$ 1,220,484	\$ -	\$ 1,220,484
Donor restricted	-	90,000	90,000
Total	\$ 1,220,484	\$ 90,000	\$ 1,310,484

	2018		
	Without Donor Restrictions	Donor Restricted	Total
Board designated	\$ 1,104,278	\$ -	\$ 1,104,278
Donor restricted	-	-	-
Total	\$ 1,104,278	\$ -	\$ 1,104,278

The changes in endowment net assets for the Organization were as follows for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 1,104,278	\$ -	\$ 1,104,278
Investment income	99,965	-	99,965
Contributions	-	90,000	90,000
Additional investments designated for endowment	16,241	-	16,241
Endowment net assets, end of year	\$ 1,220,484	\$ 90,000	\$ 1,310,484

Aspire

Notes to Financial Statements

Note 10. Endowment Fund (Continued)

	2018		
	Without Donor Restrictions	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 965,750	\$ -	\$ 965,750
Investment income	105,332	-	105,332
Additional investments designated for endowment	33,196	-	33,196
Endowment net assets, end of year	<u>\$ 1,104,278</u>	<u>\$ -</u>	<u>\$ 1,104,278</u>

Aspire has adopted investment and spending policies for endowment assets as follows:

Investment Policy

Aspire has adopted an investment policy for its endowment assets that seeks to provide a competitive total return consistent with historical capital market conditions and subject to risk tolerances, liquidity requirements, and investment guidelines established by its endowment investment policy. The endowment fund portfolio is diversified, and includes bond, domestic and international equity mutual funds, private equity funds, and money market funds.

Spending Policy

For the first year after the inception of the Endowment, the Board will not appropriate any funds for expenditure. After that time, consistent with the purpose of the Endowment and Organization, and subject to donor imposed restrictions on Endowment gifts, Aspire may appropriate for expenditure or accumulate so much of the Endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the Endowment is established.

In compliance with UPMIFA, the decision to appropriate will incorporate the following considerations:

1. The duration and preservation of the Endowment
2. The purposes of the institution and the Endowment;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution; and
7. The investment policy of the institution.

Aspire's appropriations calculation will be based on a 12-quarter rolling average and will consider a combination of market performance of the Endowment and needs of the organization. The calculation may be adjusted, from time to time, by the Board as it deems reasonable and appropriate.

Aspire

Notes to Financial Statements

Note 11. Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Specific Purpose	\$ 803,633	\$ 213,024
Endowment	90,000	-
Total	<u>\$ 893,633</u>	<u>\$ 213,024</u>

Net assets without donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Undesignated	\$ 5,163,707	\$ 5,164,345
Board designated endowment	1,220,484	1,104,278
	<u>\$ 6,384,191</u>	<u>\$ 6,268,623</u>

Net assets released from net assets with donor restrictions are as follows:

	2019	2018
Satisfaction of Purpose Restrictions	\$ 621,287	\$ 179,629
Total	<u>\$ 621,287</u>	<u>\$ 179,629</u>

Note 12. Employee Benefit Plan

Aspire maintains a savings and retirement plan under Section 403(b) of the IRC. This plan is available to all employees who have attained the age of 21 and have completed at least 1,000 hours of service. The plan allows employees to contribute a percentage of their annual compensation, subject to Internal Revenue Service limitations. Aspire matches up to 50 percent of the participant's contributions up to a maximum participant contribution of 5 percent. Participants are fully vested in their contributions at all times and vest over six years in any matching contributions made by Aspire. Matching contributions made by Aspire to the plan totaled \$38,168 and \$41,377 for the years ended June 30, 2019 and 2018, respectively.

Note 13. Deferred Compensation Agreement

Aspire has a Section 457(b) deferred compensation arrangement with its President/CEO, which will provide benefits to the executive upon retirement. Aspire contributes 2.5 percent of the employee's gross wages on an annual basis. The plan assets are held in Aspire's name and are invested in a portfolio determined by the executive. Costs incurred under the deferred compensation arrangement for the years ended June 30, 2019 and 2018, totaled \$7,592 and \$4,732, respectively. At June 30, 2019 and 2018, \$93,139 and \$82,231, respectively, was accrued as a liability and set aside in a separate asset account for this benefit. The assets held in this account are the property of Aspire and are subject to the claims of the general creditors.

Aspire

Notes to Financial Statements

Note 14. Significant Concentrations

Approximately 62 and 59 percent of Aspire's revenues for the years ended June 30, 2019 and 2018, respectively, were from State of Illinois government agencies. A significant reduction in the level of this support, if this were to occur, could have a significant effect on Aspire's programs and activities.

Amounts due from these agencies represent 9 and 24 percent of the total outstanding accounts receivable balance as of June 30, 2019 and 2018, respectively.

Note 15. Compliance With Grant or Restrictions

Financial assistance from governmental entities in the form of grants is subject to special audit. Such audits could result in claims against Aspire for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Note 16. Subsequent Events

On June 30, 2019, Aspire of Illinois entered into a Transfer of Assets and Assumption of Liabilities Agreement with NorthPointe Resources, Inc., a 501(c)(3) tax-exempt organization located in Lake County, Illinois. NorthPointe had approximately \$6,400,000 in total revenue for the year ended June 30, 2019. Under the terms of the agreement, NorthPointe agreed to transfer all assets to Aspire and Aspire agreed to assume all known liabilities of NorthPointe as of the closing date. The closing date was effective August 1, 2019.