# Aspire

Financial Report
June 30, 2018

## Contents

RSM

## Independent Auditor's Report

RSM US LLP

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, 2018 and 2017, 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, 2018 and 2017, 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.

RSM US LLP

Chicago, Illinois
November 8, 2018

**Aspire**

**Statements of Financial Position**
**June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Cash | $ 45,555 | $ 87,780 |
| Investments | 1,104,278 | 965,750 |
| Accounts receivable: | | |
| State of Illinois agencies, less allowance for doubtful accounts of $49,000 in 2018 and $0 in 2017 | 153,876 | 369,217 |
| Contracts and other, less allowance for doubtful accounts of $31,000 in 2018 and $168,829 in 2017 | 475,645 | 341,865 |
| Prepaid expenses | 65,517 | 100,614 |
| Deposits | 10,235 | 10,235 |
| Deferred compensation, managed fund | 82,231 | 61,602 |
| Property and equipment, net | 8,292,910 | 8,760,429 |
| **Total assets** | $ 10,230,247 | $ 10,697,492 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable | $ 371,435 | $ 423,045 |
| Accrued expenses: | | |
| Salaries and related payroll taxes | 521,107 | 542,612 |
| Other | 7,387 | 9,638 |
| Line of credit, net | 1,255,224 | 1,427,602 |
| Long-term debt, net | 1,492,723 | 1,867,445 |
| Other liabilities | 18,493 | 28,487 |
| Deferred compensation liability | 82,231 | 61,602 |
| **Total liabilities** | 3,748,600 | 4,360,431 |
| Unrestricted net assets: | | |
| Undesignated | 5,164,345 | 5,192,042 |
| Board-designated endowment | 1,104,278 | 965,750 |
| **Total unrestricted net assets** | 6,268,623 | 6,157,792 |
| Temporarily restricted net assets | 213,024 | 179,269 |
| **Total net assets** | 6,481,647 | 6,337,061 |
| **Total liabilities and net assets** | $ 10,230,247 | $ 10,697,492 |

See notes to financial statements.

**Aspire**

**Statements of Activities**
**Years Ended June 30, 2018 and 2017**

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | | Temporarily | | | Temporarily | |
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
| Revenue: | | | | | | |
| Fees and grants from government agencies | $ 6,128,877 | $ - | $ 6,128,877 | $ 6,505,350 | $ - | $ 6,505,350 |
| Participant/family fees | 1,273,811 | - | 1,273,811 | 1,480,618 | - | 1,480,618 |
| Contracts for goods and services, and other | 345,201 | - | 345,201 | 297,365 | - | 297,365 |
| Investment return | 105,447 | - | 105,447 | 39,029 | - | 39,029 |
| Total revenue | 7,853,336 | - | 7,853,336 | 8,322,362 | - | 8,322,362 |
| Public support: | | | | | | |
| Contributions | 2,149,309 | 213,024 | 2,362,333 | 1,773,288 | 179,269 | 1,952,557 |
| Special events (net of related expenses of $177,855 and $173,507, respectively) | 366,141 | | 366,141 | 333,547 | - | 333,547 |
| Total public support | 2,515,450 | 213,024 | 2,728,474 | 2,106,835 | 179,269 | 2,286,104 |
| Net assets released from restrictions | 179,269 | (179,269) | - | 856,793 | (856,793) | - |
| **Total revenue and public support** | 10,548,055 | 33,755 | 10,581,810 | 11,285,990 | (677,524) | 10,608,466 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Aspire Kids | 1,398,514 | - | 1,398,514 | 1,911,612 | - | 1,911,612 |
| Aspire Careers | 1,051,192 | - | 1,051,192 | 989,826 | - | 989,826 |
| Aspire Living | 5,412,759 | - | 5,412,759 | 5,220,525 | - | 5,220,525 |
| Aspire CoffeeWorks | 348,253 | - | 348,253 | 372,621 | - | 372,621 |
| Total program services | 8,210,718 | - | 8,210,718 | 8,494,584 | - | 8,494,584 |
| Supporting services: | | | | | | |
| Advancement department | 649,264 | - | 649,264 | 604,998 | - | 604,998 |
| Management and general | 1,575,141 | - | 1,575,141 | 1,454,422 | - | 1,454,422 |
| Total supporting services | 2,224,405 | - | 2,224,405 | 2,059,420 | - | 2,059,420 |
| **Total expenses** | 10,435,123 | - | 10,435,123 | 10,554,004 | - | 10,554,004 |
| **Increase (decrease) in net assets before other items** | 112,932 | 33,755 | 146,687 | 731,986 | (677,524) | 54,462 |
| Other items: | | | | | | |
| (Loss) gain on sale of property | (2,101) | - | (2,101) | 81,921 | - | 81,921 |
| **Increase (decrease) in net assets** | 110,831 | 33,755 | 144,586 | 813,907 | (677,524) | 136,383 |
| Net assets: | | | | | | |
| Beginning of year | 6,157,792 | 179,269 | 6,337,061 | 5,343,885 | 856,793 | 6,200,678 |
| End of year | $ 6,268,623 | $ 213,024 | $ 6,481,647 | $ 6,157,792 | $ 179,269 | $ 6,337,061 |

See notes to financial statements.

**Aspire**

**Statement of Functional Expenses**
**Year Ended June 30, 2018**

| | Program Services | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Aspire Kids | Aspire Careers | Aspire Living | Aspire CoffeeWorks | Total Program Services | Advancement Department | Management and General | Total Supporting Services | Grand Total |
| 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 | 211,642 | 331,458 | 8,422 | 26,279 | 34,701 | 366,159 |
| 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 |
| Conferences, conventions and meetings | - | - | - | | - | - | - | - | - |
| 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 |
| Bad debt expense | 178,224 | - | 30,000 | 8,395 | 216,619 | - | - | - | 216,619 |
| 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 |
| | $ 1,398,514 | $ 1,051,192 | $ 5,412,759 | $ 348,253 | $ 8,210,718 | $ 649,264 | $ 1,575,141 | $ 2,224,405 | $ 10,435,123 |

See notes to financial statements.

## Aspire

### Statement of Functional Expenses
### Year Ended June 30, 2017

| | Program Services | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Aspire Kids | Aspire Careers | Aspire Living | Aspire CoffeeWorks | Total Program Services | Advancement Department | Management and General | Total Supporting Services | Grand Total |
| Salaries and benefits | $ 1,201,005 | $ 709,732 | $ 3,945,433 | $ 102,527 | $ 5,958,697 | $ 398,756 | $ 990,566 | $ 1,389,322 | $ 7,348,019 |
| Supplies | 10,715 | 13,199 | 71,000 | 217,115 | 312,029 | 17,359 | 37,043 | 54,402 | 366,431 |
| Telephone | 15,066 | 8,992 | 68,294 | 256 | 92,608 | 1,124 | 15,035 | 16,159 | 108,767 |
| Postage and shipping | 1,242 | 251 | 226 | 4,579 | 6,298 | 6,056 | 1,922 | 7,978 | 14,276 |
| Occupancy | 81,494 | 79,198 | 367,889 | 4,321 | 532,902 | 37,022 | 32,228 | 69,250 | 602,152 |
| Equipment rental and maintenance | 9,427 | 14,445 | 49,799 | 217 | 73,888 | 1,434 | 9,773 | 11,207 | 85,095 |
| Printing and publications | - | 1,031 | 124 | 546 | 1,701 | 19,995 | 1,163 | 21,158 | 22,859 |
| Travel | 19,293 | 51,932 | 126,082 | 2,521 | 199,828 | 2,536 | 1,529 | 4,065 | 203,893 |
| Conferences, conventions and meetings | - | - | - | - | - | 506 | 475 | 981 | 981 |
| Interest | 1,241 | 2,519 | 86,327 | 52 | 90,139 | 259 | 38,147 | 38,406 | 128,545 |
| Depreciation and amortization | 148,117 | 58,637 | 266,697 | 19,276 | 492,727 | 34,738 | 109,793 | 144,531 | 637,258 |
| Bad debt expense | 380,000 | - | - | - | 380,000 | - | - | - | 380,000 |
| Consulting/professional | 41,921 | 42,718 | 236,671 | 11,428 | 332,738 | 66,793 | 183,268 | 250,061 | 582,799 |
| Membership, dues and licenses | 776 | 2,235 | 1,935 | 625 | 5,571 | 2,916 | 8,574 | 11,490 | 17,061 |
| Advertising | - | 4,937 | - | 5,298 | 10,235 | 1,274 | 2,653 | 3,927 | 14,162 |
| Merchant Fees & Bank Charges | 1,315 | - | 48 | 3,860 | 5,223 | 14,230 | 22,253 | 36,483 | 41,706 |
| | $ 1,911,612 | $ 989,826 | $ 5,220,525 | $ 372,621 | $ 8,494,584 | $ 604,998 | $ 1,454,422 | $ 2,059,420 | $ 10,554,004 |

**Aspire**

**Statements of Cash Flows**
**Years Ended June 30, 2018 and 2017**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Increase in net assets | $ | 144,586 | $ | 136,383 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | | | |
| Depreciation | | 652,303 | | 624,031 |
| Amortization of loan fees | | 11,702 | | 13,226 |
| Loss (gain) on disposal of property | | 2,101 | | (81,921) |
| Bad debt expense | | 216,619 | | 380,000 |
| Donated property and equipment | | (53,668) | | (159,266) |
| Donated investments | | 33,196 | | (6,103) |
| Net realized and unrealized gains on investments | | (105,447) | | (39,838) |
| Effects of changes in operating assets and liabilities: | | | | |
| Accounts receivable | | (135,058) | | (17,451) |
| Prepaid expenses | | 35,097 | | 17,607 |
| Accounts payable | | (51,610) | | 2,008 |
| Accrued salaries and related payroll taxes | | (21,505) | | 74,773 |
| Other accrued expenses | | (2,251) | | (13,690) |
| Other liabilities | | (9,994) | | (7,500) |
| **Net cash provided by operating activities** | | 716,071 | | 922,259 |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | | (133,218) | | (1,090,976) |
| Proceeds from sale of property and equipment | | - | | 338,762 |
| Purchase of investments | | (299,845) | | (40,478) |
| Proceeds from sale of investments | | 233,568 | | 41,287 |
| **Net cash used in investing activities** | | (199,495) | | (751,405) |
| Cash flows from financing activities: | | | | |
| Net payments on line of credit | | (176,433) | | (25,295) |
| Loan fees paid | | - | | (6,059) |
| Principal payments on long-term debt | | (382,368) | | (73,346) |
| **Net cash used in financing activities** | | (558,801) | | (104,700) |
| **(Decrease) increase in cash** | | (42,225) | | 66,154 |
| Cash: | | | | |
| Beginning of year | | 87,780 | | 21,626 |
| End of year | $ | 45,555 | $ | 87,780 |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid for interest | $ | 123,676 | $ | 134,764 |

See 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). The Affiliate 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.

**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.

**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.

## Note 2. Summary of Significant Accounting Policies (Continued)

**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 are 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 2018 consists primarily of outstanding billings made to third-party payers during 2018 and 2017 which were deemed uncollectible and written off.

**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.

**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. In fiscal year 2017, Aspire paid $6,059 of loan fees as part of a loan refinancing. Loan fees are being amortized over the life of the related debt up to 5 years, using a method which approximates the effective interest method. Amortization expense of loan fees amounted to $11,701 and $13,226 for the years ended June 30, 2018 and 2017, respectively, and is included in interest expense on the accompanying statements of functional expenses. Accumulated amortization totaled $40,985 and $35,384 at June 30, 2018 and 2017, respectively.

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that loan fees related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

Aspire adopted the new guidance in fiscal year 2017 and presented loan fees related to its debt as a deduction from the carrying amount of the related debt on the statements of financial position as of June 30, 2018 and 2017.

**Unrestricted net assets**: Unrestricted net assets are resources whose use has no limitations imposed by outside donors.

## Note 2. Summary of Significant Accounting Policies (Continued)

**Temporarily restricted net assets**: Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met by Aspire over 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, Aspire reports the support as unrestricted. In the absence of donor-imposed restrictions on the use of the assets, contributions of long-lived assets are reported as increases in unrestricted net assets when placed in service.

**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 temporarily or permanently restricted net assets.

**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.

**Pending accounting pronouncements**: In May 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 February 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 August 2016, the FASB issued 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, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for Aspire for its fiscal year ending June 30, 2019.

## Note 2. Summary of Significant Accounting Policies (Continued)

In January 2016, the FASB 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 June 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 and early adoption is allowed.

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

**Subsequent events**: Aspire has evaluated subsequent events for potential recognition and/or disclosure through November 8, 2018, 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** provides nurturing, family-centered support to children with disabilities such as autism, Down syndrome and cerebral palsy, from birth to 18 years of age across Chicagoland. Services include pediatric therapies, inclusion consulting and educational supports.

**Aspire Careers** offers a variety of career and job development services and programs for adults with autism, cerebral palsy, Down syndrome and other disabilities across Chicagoland.

**Aspire Living** helps adults across Chicagoland ages 18 and up who have autism, cerebral palsy, Down syndrome or other disabilities to achieve greater levels of independence through formal, informal, hands-on and real-life experiences.

**Aspire CoffeeWorks** is an earned-income venture that is a partnership between Metropolis Coffee Company, one of the nation's top artisan coffee roasters, and Aspire. Aspire CoffeeWorks creates and sells fresh roasted coffees and related products. The venture employs adults with developmental disabilities, who weigh, grind, package and ship the coffee. Net proceeds of Aspire CoffeeWorks help fund the programs of Aspire.

## Note 4. 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.

## Note 4. Investments and Fair Value Measurements (Continued)

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.

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, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent, and there are no unfunded commitments at June 30, 2018 and 2017, 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, 2018 and 2017, are composed of the following:

| | 2018 | 2017 |
|---|---|---|
| Investment securities: | | |
| Money market funds | $ 8,819 | $ 8,736 |
| Mutual funds: | | |
| Fixed Income | 212,644 | 186,653 |
| Equity | 651,425 | 559,601 |
| Private equity | 231,390 | 210,760 |
| | $ 1,104,278 | $ 965,750 |

Dividends, interest and fees totaling $16,235 and $(809), and realized and unrealized gains totaling $89,097 and $39,838 for the years ended June 30, 2018 and 2017, respectively, are included in investment return on the statements of activities.

### Note 4. Investments and Fair Value Measurements (Continued)

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.

The following table presents Aspire's fair value measurements on a recurring basis at June 30, 2018 and 2017:

| | 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 |
| | $ 872,888 | $ - | $ - | 872,888 |
| Investments measured at NAV | | | | 231,390 |
| | | | | $ 1,104,278 |

| | Fair Value Measurements at June 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities: | | | | |
| Money market funds | $ 8,736 | $ - | $ - | $ 8,736 |
| Mutual funds: | | | | |
| Fixed income | 186,653 | - | - | 186,653 |
| Equity | 559,601 | - | - | 559,601 |
| | $ 754,990 | $ - | $ - | 754,990 |
| Investments measured at NAV | | | | 210,760 |
| | | | | $ 965,750 |

For the year ended June 30, 2018, 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.

## Note 5. Property and Equipment

Property and equipment are as follows at June 30:

| | 2018 | 2017 |
|---|---|---|
| Land | $ 1,327,274 | $ 1,327,274 |
| Buildings | 4,994,050 | 4,994,050 |
| Buildings and leasehold improvements | 8,619,064 | 8,532,922 |
| Furnishings and equipment | 1,918,056 | 1,856,350 |
| Machinery | 30,154 | 30,154 |
| Vehicles | 810,337 | 810,337 |
| Total property and equipment, at cost | 17,698,935 | 17,551,087 |
| Less accumulated depreciation | (9,406,025) | (8,790,658) |
| | $ 8,292,910 | $ 8,760,429 |

Depreciation of property and equipment charged to operations was $652,303 and $624,031 for the years ended June 30, 2018 and 2017, respectively. Depreciation expense includes charges related to disposals.

Major capital contributions and donated furnishings were received during a three year period from 2015 to 2017 to fund the construction of The Harry and Jeanette Weinberg Career Academy located at the facility on Litt Drive in Hillside. Building improvement costs of approximately $1,000,000 were incurred in 2017 to convert this warehouse facility into a multi-curriculum training center. Participants started utilizing the new facility in July 2017 at which time depreciation began.

On July 11, 2016 Aspire received a purchase offer for its Aspire Connections Center facility in Bellwood, Illinois and ceased depreciation as of this date. The property had a net book value of $277,079. The property sold in September 2016 for $350,000 resulting in a gain on sale of $72,921.

In September 2016, Aspire sold a vehicle (2000 GMC) with an original cost of $40,270. This vehicle was fully depreciated with a net book value of $0 which resulted in a gain on sale of $9,000.

## Note 6. Lease Commitments

At June 30, 2018, the future minimum payments under an equipment lease are as follows:

| | |
|---|---|
| Year ending June 30: | |
| 2019 | $ 11,152 |
| 2020 | 8,190 |
| | $ 19,342 |

Interest expense amounted to $4,737 and $6,534 in 2018 and 2017, respectively.

## Note 7. Line of Credit

Aspire has an operating line of credit with MB Financial Bank which allows for borrowings of up to $2,000,000 and expires on July 15, 2019. The agreement is secured by a blanket lien on corporate assets and real estate. Under the current agreement, amounts drawn against the line of credit bear interest at the LIBOR Three-Month Daily Index (4.86 and 3.67 percent at June 30, 2018 and 2017, respectively). The balances as reflected on the statements of financial position at June 30, 2018 and 2017, are as follows:

| | 2018 | 2017 |
|---|---|---|
| Outstanding balance | $ 1,258,260 | $ 1,434,693 |
| Less: unamortized loan fees | (3,036) | (7,091) |
| | $ 1,255,224 | $ 1,427,602 |

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.

Aspire refinanced its existing credit facilities with MB Financial Bank in August 2018. The line of credit which allows for borrowings of up to $2,000,000 was refinanced August 29, 2018, and expires on August 29, 2021. The agreement is secured by a blanket lien on corporate assets and real estate. Under the current agreement, amounts drawn against the line of credit bear interest at the LIBOR One-Month Daily Index plus 1.750 percentage points over the Index. At no time will the interest rate on the line of credit be less than 3.000 percent per annum.

In July 2016, Aspire obtained an additional line of credit which allows for borrowings up to $900,000 (based on a percentage of the endowment fund investment balance) and expires August 5, 2019. The agreement is secured by a blanket lien on investments. Under the current agreement, amounts drawn against the line of credit bear interest at the LIBOR Three-Month Daily Index (4.86 percent at June 30, 2018). There were no borrowings during 2018.

Aspire's additional line of credit was refinanced August 15, 2018, and expires August 15, 2021. The agreement is secured by a blanket lien on investments. Under the current agreement, amounts drawn against the line of credit bear interest at the LIBOR One-Month Daily Index plus 1.000 percentage points over the Index. At no time will the interest rate on the line of credit be less than 3.000 percent per annum.

## Note 8. Long-Term Debt

Long-term debt is as follows at June 30:

| | 2018 | 2017 |
|---|---|---|
| Mortgage note payable to MB Financial Bank requiring monthly payments of $13,191 including interest at 4.36% through February 2019, with a final balloon payment due March 2019. 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). | $ 1,499,095 | $ 1,881,463 |
| Less: unamortized loan fees | (6,372) | (14,018) |
| | $ 1,492,723 | $ 1,867,445 |

## Note 8. Long-Term Debt (Continued)

Aspire's mortgage loan in the amount of $1,483,758 was refinanced August 15, 2018, and expires August 15, 2023. Monthly payments are $11,015 starting September 15, 2018, for 59 months with one last payment estimated at $1,144,000. The interest rate is 4.64%.

Closing costs for the refinancing totaled $910.

## Note 9. 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. As of June 30, 2018 and 2017, none of the endowment fund's net assets were subject to donor-imposed restrictions.

The changes in unrestricted endowment net assets for the years ended June 30 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Board designated endowment net assets, beginning of year | $ 965,750 | $ 920,618 |
| Investment return: | | |
| Investment income (expense) | 16,235 | (809) |
| Net appreciation | 89,097 | 39,838 |
| Net investment return | 105,332 | 39,029 |
| Additional investments designated for endowment | 33,196 | 6,103 |
| Board designated endowment net assets, end of year | $ 1,104,278 | $ 965,750 |

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

Investment Policy

Aspire has adopted an investment policy for its endowment assets which balances an objective of long-term growth with stability of principal. The endowment fund portfolio is diversified, and includes bond, domestic and international equity mutual funds, private equity funds, and money market funds.

Spending Policy

Aspire's Board may determine whether income, if any, will be distributed from the endowment fund, and maintains broad discretion to direct such funds to current operations, capital expenditures or new programs. Under extraordinary circumstances, the endowment fund's corpus also may be designated by the Board to fund any part of Aspire's operations. No such transfers have been authorized since the fund's inception.

### Note 10. 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 $41,377 and $43,629 for the years ended June 30, 2018 and 2017, respectively.

### Note 11. 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, 2018 and 2017, totaled $4,732 and $5,597, respectively. At June 30, 2018 and 2017, $82,231 and $61,602, 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.

### Note 12. Significant Concentrations

Approximately 58 and 57 percent of Aspire's revenues for the years ended June 30, 2018 and 2017, 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 24 and 47 percent of the total outstanding accounts receivable balance as of June 30, 2018 and 2017, respectively.

### Note 13. 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 14. Subsequent Events

Aspire has received a Letter of Intent for the sale of its property located at 9901 Derby Lane Westchester, IL for a purchase price of $430,000. The property was originally purchased during fiscal year 2000 and has a net book value of $338,548 as of June 30, 2018. The closing date is scheduled for Fall 2018.

In addition, Aspire has contracted to sell a parcel of land on Litt Drive to the Village of Hillside for $195,000. The land was originally purchased for $107,882 during fiscal year 1988. The closing date is scheduled for Fall 2018.