Aspire and Affiliate

Financial Report
June 30, 2017

Contents

RSM

Independent Auditor's Report

RSM US LLP

Board of Directors
Aspire

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Aspire and Affiliate (Aspire), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 and Affiliate as of June 30, 2017 and 2016, and the changes in their net assets and their 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
December 22, 2017

Aspire and Affiliate

Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash	$ 87,780	$ 21,626
Investments	965,750	920,618
Accounts receivable:		
State of Illinois agencies	369,217	517,426
Contracts and other, less allowance for doubtful accounts of $168,829 in 2017 and $85,785 in 2016	341,865	556,205
Prepaid expenses	100,614	118,221
Deposits	10,235	10,235
Deferred compensation, managed fund	61,602	54,549
Property and equipment, net	8,760,429	8,391,059
Total assets	$ 10,697,492	$ 10,589,939
Liabilities		
Accounts payable	$ 423,045	$ 421,037
Accrued expenses:		
Salaries and related payroll taxes	542,612	467,839
Other	9,638	23,328
Line of credit, net	1,427,602	1,453,376
Long-term debt, net	1,867,445	1,933,145
Other liabilities	28,487	35,987
Deferred compensation liability	61,602	54,549
Total liabilities	4,360,431	4,389,261
Net Assets		
Unrestricted net assets:		
Undesignated	5,192,042	4,423,267
Board designated endowment	965,750	920,618
Total unrestricted net assets	6,157,792	5,343,885
Temporarily restricted net assets	179,269	856,793
Total net assets	6,337,061	6,200,678
Total liabilities and net assets	$ 10,697,492	$ 10,589,939

See notes to consolidated financial statements.

Aspire and Affiliate

Consolidated Statements of Activities
Years Ended June 30, 2017 and 2016

	2017			2016		
		Temporarily			Temporarily	
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
Revenue:						
Fees and grants from government agencies	**$ 6,505,350**	**$ -**	**$ 6,505,350**	$ 6,481,011	$ -	$ 6,481,011
Participant/family fees	**1,480,618**	**-**	**1,480,618**	1,589,639	-	1,589,639
Contracts for goods and services, and other	**297,365**	**-**	**297,365**	264,568	-	264,568
Investment return (loss)	**39,029**	**-**	**39,029**	(10,773)	-	(10,773)
Total revenue	**8,322,362**	**-**	**8,322,362**	8,324,445	-	8,324,445
Public support:						
Contributions	**1,773,288**	**179,269**	**1,952,557**	978,775	856,793	1,835,568
Special events (net of related expenses of $173,507 and $198,163, respectively)	**333,547**	**-**	**333,547**	256,206	-	256,206
Total public support	**2,106,835**	**179,269**	**2,286,104**	1,234,981	856,793	2,091,774
Net assets released from restrictions	**856,793**	**(856,793)**	**-**	-	-	-
Total revenue and public support	**11,285,990**	**(677,524)**	**10,608,466**	9,559,426	856,793	10,416,219
Expenses:						
Program services:						
Aspire Kids	**1,911,612**	**-**	**1,911,612**	1,680,918	-	1,680,918
Aspire Careers	**989,826**	**-**	**989,826**	1,558,526	-	1,558,526
Aspire Living	**5,220,525**	**-**	**5,220,525**	5,278,779	-	5,278,779
Aspire CoffeeWorks, LLC	**372,621**	**-**	**372,621**	289,843	-	289,843
Total program services	**8,494,584**	**-**	**8,494,584**	8,808,066	-	8,808,066
Supporting services:						
Advancement department	**604,998**		**604,998**	528,647	-	528,647
Management and general	**1,454,422**	**-**	**1,454,422**	1,554,462	-	1,554,462
Total supporting services	**2,059,420**	**-**	**2,059,420**	2,083,109	-	2,083,109
Total expenses	**10,554,004**	**-**	**10,554,004**	10,891,175	-	10,891,175
Increase (decrease) in net assets before other items	**731,986**	**(677,524)**	**54,462**	(1,331,749)	856,793	(474,956)
Other items:						
Gain on sale of property	**81,921**	**-**	**81,921**	208,241	-	208,241
Increase (decrease) in net assets	**813,907**	**(677,524)**	**136,383**	(1,123,508)	856,793	(266,715)
Net assets:						
Beginning of year	**5,343,885**	**856,793**	**6,200,678**	6,467,393	-	6,467,393
End of year	**$ 6,157,792**	**$ 179,269**	**$ 6,337,061**	$ 5,343,885	$ 856,793	$ 6,200,678

See notes to consolidated financial statements.

Aspire and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services					Supporting Services			
	Aspire Kids	Aspire Careers	Aspire Living	Aspire CoffeeWorks, LLC	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	2,556	2,519	94,021	3,912	103,008	14,489	65,981	80,470	183,478
Depreciation and amortization	148,117	58,637	259,051	19,276	485,081	34,738	104,212	138,950	624,031
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
	$ 1,911,612	$ 989,826	$ 5,220,525	$ 372,621	$ 8,494,584	$ 604,998	$ 1,454,422	$ 2,059,420	$10,554,004

See notes to consolidated financial statements.

Aspire and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services					Supporting Services			
	Aspire Kids	Aspire Careers	Aspire Living	Aspire CoffeeWorks, LLC	Total Program Services	Advancement Department	Management and General	Total Supporting Services	Grand Total
Salaries and benefits	$ 1,109,639	$ 1,234,064	$ 4,017,200	$ 63,709	$ 6,424,612	$ 365,402	$ 1,073,309	$ 1,438,711	$ 7,863,323
Supplies	9,056	16,173	62,921	161,803	249,953	11,780	40,417	52,197	302,150
Telephone	20,574	10,605	59,688	274	91,141	2,249	19,029	21,278	112,419
Postage and shipping	769	721	673	438	2,601	4,374	2,645	7,019	9,620
Occupancy	101,891	104,685	341,556	3,974	552,106	38,443	59,622	98,065	650,171
Equipment rental and maintenance	14,097	16,084	76,039	171	106,391	2,488	21,176	23,664	130,055
Printing and publications	60	-	-	7,402	7,462	19,998	290	20,288	27,750
Travel	15,016	43,066	141,408	754	200,244	1,847	1,762	3,609	203,853
Conferences, conventions and meetings	1,012	258	628	-	1,898	400	1,645	2,045	3,943
Interest	3,084	3,263	97,683	3,999	108,029	367	46,054	46,421	154,450
Depreciation and amortization	348,462	89,616	254,397	17,992	710,467	28,582	72,394	100,976	811,443
Bad debt expense	20,000	-	-	-	20,000	-	-	-	20,000
Consulting/professional	36,366	39,681	226,084	23,173	325,304	41,309	209,218	250,527	575,831
Membership, dues and licenses	728	310	310	100	1,448	1,325	6,901	8,226	9,674
Advertising	164	-	192	6,054	6,410	10,083	-	10,083	16,493
	$ 1,680,918	$ 1,558,526	$ 5,278,779	$ 289,843	$ 8,808,066	$ 528,647	$ 1,554,462	$ 2,083,109	$10,891,175

See notes to consolidated financial statements.

Aspire and Affiliate

Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 136,383**	$ (266,715)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**624,031**	811,443
Amortization of loan fees	**13,226**	10,867
Gain on sale of property	**(81,921)**	(208,241)
Bad debt expense	**380,000**	20,000
Donated property and equipment	**(159,266)**	(229,710)
Donated investments	**(6,103)**	(11,194)
Net realized and unrealized (gains) losses on investments	**(39,838)**	21,004
Effects of changes in operating assets and liabilities:		
Accounts receivable	**(17,451)**	(4,869)
Prepaid expenses	**17,607**	(10,839)
Accounts payable	**2,008**	51,430
Accrued salaries and related payroll taxes	**74,773**	(336,660)
Other accrued expenses	**(13,690)**	(130,501)
Other liabilities	**(7,500)**	(6,151)
Net cash provided by (used in) operating activities	**922,259**	(290,136)
Cash flows from investing activities:		
Purchase of property and equipment	**(1,090,976)**	(1,710,374)
Proceeds from sale of property and equipment	**338,762**	427,357
Purchase of investments	**(40,478)**	(22,174)
Proceeds from sale of investments	**41,287**	11,943
Net cash used in investing activities	**(751,405)**	(1,293,248)
Cash flows from financing activities:		
Net (payments) borrowing on line of credit	**(25,295)**	1,425,228
Loan fees paid	**(6,059)**	(6,106)
Principal payments on long-term debt	**(73,346)**	(69,949)
Net cash (used in) provided by financing activities	**(104,700)**	1,349,173
Increase (decrease) in cash	**66,154**	(234,211)
Cash:		
Beginning of year	**21,626**	255,837
End of year	**$ 87,780**	$ 21,626
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 134,764**	$ 116,722

See notes to consolidated 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 formed a single member limited liability corporation, Aspire CoffeeWorks, LLC (Affiliate), incorporated in the State of Illinois on September 23, 2009. The Affiliate was formed by Aspire 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 and the Affiliate (collectively referred to as Aspire) have 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 consolidated 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 (the FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to Accounting Principles Generally Accepted in the United States of America in these footnotes are to the FASB *Accounting Standards Codification,* sometimes referred to as the Codification or ASC.

Use of estimates: The preparation of consolidated 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 consolidated 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 consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2. Summary of Significant Accounting Policies (Continued)

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 (losses) are recorded in the statement of activities as increases or decreases in unrestricted net assets. Private equity investments are recorded at fair value based on the net asset value 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 2017 consists primarily of outstanding billings made to third party payers during 2017 and 2016 which were deemed uncollectible and written off, as well as an increase to the allowance for doubtful accounts.

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 paid by Aspire for loan refinancing are capitalized as incurred and totaled $6,060 and $6,104 at June 30, 2017 and 2016, respectively. 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 $13,226 and $10,867 for the years ended June 30, 2017 and 2016, respectively, and is included in interest expense on the accompanying consolidated statements of functional expenses. Accumulated amortization totaled $35,384 and $22,158 at June 30, 2017 and 2016, 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 consolidated statements of financial position as of June 30, 2017 and 2016.

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 or 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 consolidated financial statements.

Aspire files Form 990 in the U.S. federal jurisdiction and the State of Illinois, and is generally no longer subject to examination by the Internal Revenue Service (IRS) for tax years before fiscal 2014.

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, with early adoption permitted.

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.

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

Reclassification: Certain items on the 2016 consolidated statements of financial position, statement of activities and functional expenses 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 December 22, 2017, the date the consolidated 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 consolidated 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 Chicago and the western suburbs. 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 Chicago and the western suburbs.

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, LLC - 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, LLC 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, LLC help fund the programs of Aspire.

Advancement Department - supports the expansion of Aspire's vision in the community by securing private financial support from prospective donors. Aspire also operated a resale shop that sold quality, previously owned clothing, furniture and housewares. Aspire closed the shop in November 2014 and sold the property in October 2015.

Management and General - includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of Aspire's program strategy through the office of the President/CEO; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of Aspire; and manage the financial and budgetary responsibilities 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.
>
> 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, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent, and there are no unfunded commitments at June 30, 2017 and 2016, 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.

Note 4. Investments and Fair Value Measurements (Continued)

The following table presents Aspire's fair value measurements on a recurring basis as of June 30, 2017 and 2016:

	2017	2016
Investment securities:		
Money market funds	$ 8,736	$ 577,651
Mutual funds:		
Fixed Income	186,653	117,658
Equity	559,601	225,309
Private equity	210,760	-
	$ 965,750	$ 920,618

Dividends, interest and fees totaling ($809) and $10,231, and realized and unrealized gains (losses) totaling $39,838 and ($21,004) for the years ended June 30, 2017 and 2016, respectively, are included in investment return (loss) on the consolidated 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 regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers between levels for the years ended June 30, 2017 or 2016.

	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

	Fair Value Measurements at June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Money market funds	$ 577,651	$ -	$ -	$ 577,651
Mutual funds:				
Fixed income	117,658	-	-	117,658
Equity	225,309	-	-	225,309
	$ 920,618	$ -	$ -	920,618
Investments measured at NAV				-
				$ 920,618

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.

For the year ended June 30, 2017, 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 net asset value (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:

	2017	2016
Land	$ 1,327,274	$ 1,415,874
Buildings	4,994,051	5,298,061
Buildings and leasehold improvements	8,532,923	7,771,873
Furnishings and equipment	1,856,350	1,632,122
Machinery	30,152	30,152
Vehicles	810,337	850,607
Total property and equipment, at cost	17,551,087	16,998,689
Less accumulated depreciation	(8,790,658)	(8,607,630)
	$ 8,760,429	$ 8,391,059

Depreciation of property and equipment charged to operations was $624,031 and $811,443 for the years ended June 30, 2017 and 2016, respectively. Depreciation expense includes charges related to disposals.

Commencing in June 2015, Aspire began contracting for services to remodel the facility located at 1815 Wolf Road in Hillside. The building, referred to as The Shannon Center, would become Aspire's new business headquarters. While much of the mechanicals and previous renovations remained, significant building improvements of approximately $1,700,000 were incurred in 2016 to convert the space. Capital contributions were received throughout the year to fund the construction costs and furnishings with an estimated fair value of $229,000 were donated for employee work space. Aspire took occupancy of the new building in February 2016 and began depreciating these costs at that time.

Major capital contributions and donated furnishings were received during a three year period from 2015 to 2017 to fund the construction of the Aspire 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.

Note 5. Property and Equipment (Continued)

In November 2014, Aspire listed for sale its Melrose Park resale shop building and land for $500,000 and ceased depreciation as of the listing date. This property was reclassified from property and equipment to real estate held for sale at its net book value $219,125. The property was sold in October 2015 for $427,357 resulting in a gain on sale of $208,241 (net of costs to sell).

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, 2017, the future minimum payments under an equipment lease are as follows:

Year ending June 30:	
2018	$ 14,034
2019	14,034
2020	9,358
	$ 37,426

Interest expense amounted to $6,534 and $7,884 in 2017 and 2016, respectively.

Note 7. Line of Credit

Aspire has an operating line of credit 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 (3.67 percent and 3.13 percent at June 30, 2017 and 2016, respectively). The balances as reflected on the statements of financial position at June 30, 2017 and 2016 are as follows:

	2017	2016
Outstanding balance	$ 1,434,693	$ 1,459,987
Less: unamortized loan fees	(7,091)	(6,611)
	$ 1,427,602	$ 1,453,376

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.

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 (3.18 percent June 30, 2017). There were no borrowings during 2017.

Note 8. Long-Term Debt

Long-term debt is as follows at June 30:

	2017	2016
Mortgage note payable to a 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).	$ 1,881,463	$ 1,954,809
Less: unamortized loan fees	(14,018)	(21,664)
	$ 1,867,445	$ 1,933,145

Future maturities of the mortgage note payable are as follows:

Year ending June 30:	
2018	$ 158,292
2019	1,723,171
	$ 1,881,463

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, 2017 and 2016, 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:

	2017	2016
Board designated endowment net assets, beginning of year	$ 920,618	$ 920,197
Investment return:		
Investment (expense) income	(809)	10,231
Net appreciation (depreciation)	39,838	(21,004)
Total investment return (loss)	39,029	(10,773)
Additional investments designated for endowment	6,103	11,194
Board designated endowment net assets, end of year	$ 965,750	$ 920,618

Note 9. Endowment Fund (Continued)

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 IRS limitations. Aspire contributes 50 percent for every dollar of a participant's contributions up to 5 percent of each participant's annual salary. Participants are fully vested in their contributions at all times and vest over six years in any contributions made by Aspire. Matching contributions made by Aspire to the plan totaled $43,629 and $69,540 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, totaled $5,597 and $5,760, respectively. At June 30, 2017 and 2016, $61,602 and $54,549, 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 57 and 59 percent of Aspire's revenues for the years ended June 30, 2017 and 2016, 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 47 and 51 percent of the total outstanding accounts receivable balance as of June 30, 2017 and 2016, 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.