Aspire and Affiliate

Financial Report
June 30, 2016

Contents

RSM

Independent Auditor's Report

RSM US LLP

Board of Directors
Aspire
Hillside, Illinois

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, 2016 and 2015 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, 2016 and 2015, 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
February 24, 2017

Aspire and Affiliate

Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash	**$ 21,626**	$ 255,837
Investments	**920,618**	920,197
Accounts receivable:		
State of Illinois agencies	**517,426**	486,385
Contracts and other, less allowance for doubtful accounts of $85,785 in 2016 and $84,974 in 2015	**556,205**	602,377
Prepaid expenses	**118,221**	107,382
Real estate held for sale	**-**	219,125
Deposits	**10,235**	10,235
Loan fees, net	**28,275**	33,036
Deferred compensation, managed fund	**54,549**	46,172
Property and equipment, net	**8,391,059**	7,389,659
Total assets	**$ 10,618,214**	$ 10,070,405
Liabilities		
Accounts payable	**$ 421,037**	$ 496,857
Accrued expenses:		
Salaries and related payroll taxes	**467,839**	804,499
Other	**23,328**	153,829
Line of credit	**1,459,987**	34,759
Long-term debt	**1,954,809**	2,024,758
Other liabilities	**35,987**	42,138
Deferred compensation liability	**54,549**	46,172
Total liabilities	**4,417,536**	3,603,012
Net Assets		
Unrestricted net assets:		
Undesignated	**4,423,267**	5,547,196
Board designated endowment	**920,618**	920,197
Total unrestricted net assets	**5,343,885**	6,467,393
Temporarily restricted net assets	**856,793**	-
Total net assets	**6,200,678**	6,467,393
Total liabilities and net assets	**$ 10,618,214**	$ 10,070,405

See notes to consolidated financial statements.

Aspire and Affiliate

Consolidated Statements of Activities
Years Ended June 30, 2016 and 2015

	2016			2015
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted Total
Revenue:				
Fees and grants from government agencies	**$ 6,481,011**	**$ -**	**$ 6,481,011**	$ 7,609,650
Participant/family fees	**1,589,639**	**-**	**1,589,639**	1,597,383
Contracts for goods and services, and other	**264,568**	**-**	**264,568**	225,465
Investment (loss) income	**(10,773)**	**-**	**(10,773)**	20,432
Total revenue	**8,324,445**	**-**	**8,324,445**	9,452,930
Public support:				
Contributions	**978,775**	**856,793**	**1,835,568**	1,712,029
United Way	**-**	**-**	**-**	33,889
Resale shop	**-**	**-**	**-**	71,720
Special events (net of related expenses of $198,163 and $222,515)	**256,206**	**-**	**256,206**	283,532
Total public support	**1,234,981**	**856,793**	**2,091,774**	2,101,170
Total revenue and public support	**9,559,426**	**856,793**	**10,416,219**	11,554,100
Expenses:				
Program services:				
Aspire Kids	**1,680,918**	**-**	**1,680,918**	1,676,138
Aspire Careers	**1,558,526**	**-**	**1,558,526**	1,733,013
Aspire Living	**5,278,779**	**-**	**5,278,779**	5,422,327
Aspire CoffeeWorks, LLC	**289,843**	**-**	**289,843**	154,544
Total program services	**8,808,066**	**-**	**8,808,066**	8,986,022
Supporting services:				
Advancement Department and Resale Shop (net of Resale shop expenses of $2,863 and $120,182)	**528,647**	**-**	**528,647**	635,544
Management and General	**1,554,462**	**-**	**1,554,462**	1,499,666
Total supporting services	**2,083,109**	**-**	**2,083,109**	2,135,210
Total expenses	**10,891,175**	**-**	**10,891,175**	11,121,232
(Decrease) increase in net assets before other items	**(1,331,749)**	**856,793**	**(474,956)**	432,868
Other items:				
Gain on sale of property	**208,241**	**-**	**208,241**	-
(Decrease) increase in net assets	**(1,123,508)**	**856,793**	**(266,715)**	432,868
Net assets:				
Beginning of year	**6,467,393**	**-**	**6,467,393**	6,034,525
End of year	**$ 5,343,885**	**$ 856,793**	**$ 6,200,678**	$ 6,467,393

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 and Resale Shop**	**Management and General**	**Total Supporting Services**	**Grand Total**
Salaries	$ 925,156	$ 992,083	$ 3,241,419	$ 49,575	$ 5,208,233	$ 311,453	$ 881,051	$ 1,192,504	$ 6,400,737
Savings and retirement	8,055	11,661	24,297	5	44,018	504	25,018	25,522	69,540
Other employee benefits	104,988	134,745	493,504	11,084	744,321	29,036	104,346	133,382	877,703
Payroll taxes	71,440	95,575	257,980	3,045	428,040	24,409	62,894	87,303	515,343
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	90,037	3,999	100,383	367	42,833	43,200	143,583
Depreciation and amortization	348,462	89,616	262,043	17,992	718,113	28,582	75,615	104,197	822,310
Bad debt expense (recoveries)	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 Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services					Supporting Services			
	Aspire Kids	Aspire Careers	Aspire Living	Aspire CoffeeWorks, LLC	Total Program Services	Advancement Department and Resale Shop	Management and General	Total Supporting Services	Grand Total
Salaries	$ 1,023,556	$ 1,131,952	$ 3,151,320	$ 44,456	$ 5,351,284	$ 356,707	$ 906,467	$ 1,263,174	$ 6,614,458
Savings and retirement	10,335	17,560	30,758	279	58,932	2,158	15,932	18,090	77,022
Other employee benefits	111,224	151,965	568,139	4,019	835,347	44,252	81,757	126,009	961,356
Payroll taxes	78,911	85,370	240,563	3,220	408,064	27,722	59,181	86,903	494,967
Supplies	14,222	26,002	107,042	73,595	220,861	29,333	51,235	80,568	301,429
Telephone	23,711	9,730	57,229	1,106	91,776	3,246	15,108	18,354	110,130
Postage and shipping	1,760	600	600	536	3,496	9,497	2,938	12,435	15,931
Occupancy	117,967	123,377	361,327	2,608	605,279	48,295	29,594	77,889	683,168
Equipment rental and maintenance	15,165	12,564	76,814	143	104,686	3,733	23,321	27,054	131,740
Printing and publications	204	-	598	139	941	24,964	3,034	27,998	28,939
Travel	17,450	41,003	158,528	2,250	219,231	4,024	1,098	5,122	224,353
Conferences, conventions and meetings	9,387	165	150	-	9,702	150	1,672	1,822	11,524
Interest	3,200	1,185	92,117	2,884	99,386	892	32,386	33,278	132,664
Depreciation and amortization	113,074	81,653	300,814	11,712	507,253	13,651	38,343	51,994	559,247
Bad debt expense (recoveries)	20,674	10,428	12,744	-	43,846	-	6,000	6,000	49,846
Consulting/professional	114,481	38,932	263,057	3,702	420,172	51,398	222,814	274,212	694,384
Membership, dues and licenses	448	322	323	-	1,093	885	8,806	9,691	10,784
Advertising	369	205	204	3,895	4,673	14,637	(20)	14,617	19,290
	$ 1,676,138	$ 1,733,013	$ 5,422,327	$ 154,544	$ 8,986,022	$ 635,544	$ 1,499,666	$ 2,135,210	$ 11,121,232

See notes to consolidated financial statements.

Aspire and Affiliate

Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (266,715)	$ 432,868
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	811,443	549,568
Amortization of loan fees	10,867	9,679
Gain on sale of property	(208,241)	-
Allowance for doubtful accounts	20,000	49,846
Donated property and equipment	(229,710)	-
Donated investments	(11,194)	-
Net realized and unrealized losses (gains) on investments	21,004	(11,372)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(4,869)	(49,458)
Prepaid expenses	(10,839)	(9,728)
Deposits	-	(235)
Accounts payable	51,430	3,011
Accrued salaries and related payroll taxes	(336,660)	103,127
Other accrued expenses	(130,501)	(49,637)
Other liabilities	(6,151)	42,138
Net cash (used in) provided by operating activities	(290,136)	1,069,807
Cash flows from investing activities:		
Purchase of property and equipment	(1,710,374)	(491,461)
Proceeds from sale of property and equipment	427,357	-
Purchase of investments	(22,174)	(30,193)
Proceeds from sale of investments	11,943	6,887
Net cash used in investing activities	(1,293,248)	(514,767)
Cash flows from financing activities:		
Net borrowing (payments) on line of credit	1,425,228	(500,430)
Loan fees paid	(6,106)	-
Principal payments on long-term debt	(69,949)	(67,161)
Net cash provided by (used in) financing activities	1,349,173	(567,591)
Decrease in cash	(234,211)	(12,551)
Cash:		
Beginning of year	255,837	268,388
End of year	$ 21,626	$ 255,837
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 116,722	$ 111,561
Supplemental schedule of noncash investing and financing activities:		
Property and equipment additions included in accounts payable	$ -	$ 127,252

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 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 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.

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 carried 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.

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.

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 are being amortized over the life of the related debt up to 5 years, using the straight-line method. Accumulated amortization totaled $22,158 and $11,292 at June 30, 2016 and 2015, respectively.

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

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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 2013.

Pending accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (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 April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs 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. The standard will be effective for Aspire for its fiscal year ending June 30, 2017. Aspire's management believes that this update will not have a significant effect on Aspire's consolidated financial statements.

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 12 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.

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

Reclassification: Certain items on the 2015 consolidated financial statement of functional expenses have been reclassified to conform to the 2016 presentation. These reclassifications have no effect on the 2015 net assets or change in net assets.

Subsequent events: Aspire has evaluated subsequent events for potential recognition and/or disclosure through February 24, 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 services are included in the accompanying consolidated financial statements:

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 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 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 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 and Resale Shop - 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 (Note 5).

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.

Note 4. Investments and Fair Value Measurements (Continued)

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, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent, and there are no unfunded commitments at June 30, 2016 and 2015, 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.

The following table presents Aspire's fair value measurements on a recurring basis as of June 30, 2016 and 2015:

	2016	2015
Investment securities:		
Money market funds	$ 577,651	$ 566,253
Mutual funds:		
Bond	117,658	116,239
Domestic equity	71,624	77,365
Mid-cap growth equity	101,113	100,855
International equity	52,572	59,485
	$ 920,618	$ 920,197

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, 2016 or 2015.

Investment income consisted of interest and dividends totaling $10,231 and $9,060, and realized and unrealized (losses) gains totaling ($21,004) and $11,372 for the years ended June 30, 2016 and 2015, respectively, and is included in investment income (loss) on the consolidated statements of activities.

Note 5. Property and Equipment

Property and equipment are as follows at June 30:

	2016	2015
Land	$ 1,415,874	$ 1,415,874
Buildings	5,298,061	5,020,144
Buildings and leasehold improvements	7,771,873	5,999,585
Furnishings and equipment	1,632,122	1,230,547
Machinery	30,152	30,152
Vehicles	850,607	850,607
Total property and equipment, at cost	16,998,689	14,546,909
Less accumulated depreciation	8,607,630	7,157,250
	$ 8,391,059	$ 7,389,659

Depreciation of property and equipment charged to operations was $811,443 and $549,568 for the years ended June 30, 2016 and 2015, respectively. Depreciation expensed in 2016 includes charges related to disposals.

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 which is the lower of its cost basis or fair value less cost to sell. The property was sold in October 2015 for $427,357 resulting in a gain on sale of $208,241 (net of costs to sell).

Subsequent to year-end, Aspire sold its Aspire Connections Center facility in Bellwood, Illinois for $350,000, which was greater than the facility's net book value.

Note 6. Lease Commitments

An equipment lease was entered into during 2015 and expiring in 2020. At June 30, 2016, the future minimum payments under the lease with initial or remaining terms of one year or more are as follows:

Year ending June 30:	
2017	$ 14,034
2018	14,034
2019	14,034
2020	9,358
	$ 51,460

Interest expense amounted to $7,884 and $2,885 in 2016 and 2015, 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 (3.13 percent at June 30, 2016). The outstanding balances on the lines were $1,459,987 and $34,759 at June 30, 2016 and 2015, respectively.

Note 7. Line of Credit (Continued)

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.

Note 8. Long-Term Debt

Long-term debt is as follows at June 30:

	2016	2015
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 1.20 to 1.00).	$ 1,954,809	$ 2,024,758

Future maturities of the mortgage note payable are as follows:

Year ending June 30:	
2017	$ 158,292
2018	158,292
2019	1,638,225
	$ 1,954,809

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, 2016 and 2015, none of the endowment fund's net assets were subject to donor-imposed restrictions.

Note 9. Endowment Fund (Continued)

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

	2016	2015
Board designated endowment net assets, beginning of year	$ 920,197	$ 885,519
Investment return:		
Investment income	10,231	9,060
Net (depreciation) appreciation	(21,004)	11,372
Total investment return	(10,773)	20,432
Additional investments designated for endowment	11,194	14,246
Board designated endowment net assets, end of year	$ 920,618	$ 920,197

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 equity and international equity mutual 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 $69,542 and $77,024 for the years ended June 30, 2016 and 2015, respectively.

Note 11. Deferred Compensation Agreement

Aspire has a Section 457(b) deferred compensation arrangement with its chief executive officer (executive), 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, 2016 and 2015, totaled $5,760 and $6,045, respectively. At June 30, 2016 and 2015, $54,549 and $46,172, 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 59 and 66 percent of Aspire's revenues for the years ended June 30, 2016 and 2015, 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 51 and 45 percent of the total outstanding accounts receivable balance as of June 30, 2016 and 2015, 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.