Aspire of Illinois

Financial Report
June 30, 2020

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Aspire of Illinois

Report on the Financial Statements
We have audited the accompanying financial statements of Aspire of Illinois (Aspire), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Aspire acquired assets and assumed liabilities of NorthPointe Resources, Inc., a nonprofit organization located in Lake County, Illinois, effective August 1, 2019, resulting in an increase in net assets of $2,420,042. Our opinion is not modified with respect to this matter.

RSM US LLP

Chicago, Illinois
December 10, 2020

Aspire of Illinois

Statement of Financial Position
June 30, 2020

Assets	
Cash	$ 2,674,223
Investments	1,761,203
Accounts receivable:	
Pledges receivable	735,802
Contracts, State of Illinois and other, less allowance for doubtful accounts of $17,126	629,322
Prepaid expenses and deposits	120,256
Deferred compensation, managed fund	103,286
Property and equipment, net	10,378,844
Total assets	$ 16,402,936
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 309,531
Accrued expenses:	
Salaries and related payroll taxes	955,263
Other	11,827
Paycheck protection program loan	1,942,972
Long-term debt, net	2,463,073
Other liabilities	74,939
Deferred compensation liability	103,286
Total liabilities	5,860,891
Net assets:	
Without donor restrictions	8,505,775
With donor restrictions	2,036,270
Total net assets	10,542,045
Total liabilities and net assets	$ 16,402,936

See notes to financial statements.

Aspire of Illinois

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Fees and grants from government agencies (net of bad debt allowances of $30,721)	$ 11,871,413	$ -	$ 11,871,413
Participant/family fees (net of bad debt allowances of $1,235)	1,797,486	-	1,797,486
Contracts for goods and services and other income (net of cost of goods sold of $222,624 and bad debt allowance of $660)	179,415	-	179,415
Investment returns	125,495	-	125,495
Total revenue	13,973,809	-	13,973,809
Public support:			
Contributions	842,884	974,383	1,817,267
Special events (net of related expenses of $264,464)	276,263	-	276,263
Total public support	1,119,147	974,383	2,093,530
Net assets released from restrictions	556,293	(556,293)	-
Total revenue and public support	15,649,249	418,090	16,067,339
Expenses:			
Program services:			
Living	7,259,535	-	7,259,535
Learning	3,072,551	-	3,072,551
Mental health	539,372	-	539,372
Innovation	1,311,294	-	1,311,294
CoffeeWorks	201,050	-	201,050
Total program services	12,383,802	-	12,383,802
Supporting services:			
Development and integration	1,128,022	-	1,128,022
Management and general	1,687,053	-	1,687,053
Total supporting services	2,815,075	-	2,815,075
Total expenses	15,198,877	-	15,198,877
Increase in net assets before other items	450,372	418,090	868,462
Other items:			
Loss on sale of property	(24,283)	-	(24,283)
Net assets contributed through acquisition	1,695,495	724,547	2,420,042
Total other items	1,671,212	724,547	2,395,759
Increase in net assets	2,121,584	1,142,637	3,264,221
Net assets:			
Beginning of year	6,384,191	893,633	7,277,824
End of year	$ 8,505,775	$ 2,036,270	$ 10,542,045

See notes to financial statements.

Aspire of Illinois

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services						Supporting Services			
	Living	Learning	Mental Health	Innovation	CoffeeWorks	Total Program Services	Development and Integration	Management and General	Total Supporting Services	Grand Total
Salaries and benefits	$ 5,690,028	$ 2,106,101	$ 484,450	$ 1,026,125	$ 133,487	$ 9,440,191	$ 686,787	$ 1,337,678	$ 2,024,465	$ 11,464,656
Supplies	152,269	53,751	6,096	24,537	3,386	240,039	14,700	20,613	35,313	275,352
Telephone	69,180	42,846	2,675	8,930	1,612	125,243	4,880	10,589	15,469	140,712
Postage and shipping	52	1,552	254	347	1,265	3,470	12,495	1,506	14,001	17,471
Occupancy	496,030	311,966	16,056	99,213	23,551	946,816	23,672	46,912	70,584	1,017,400
Equipment rental and maintenance	1,453	4,436	752	710	46	7,397	-	256	256	7,653
Printing and publications	901	2,742	178	1,675	4,873	10,369	19,031	1,826	20,857	31,226
Travel and transportation	122,161	93,127	6,538	22,350	2,354	246,530	4,553	10,214	14,767	261,297
Interest	80,366	8,341	3,131	3,997	14	95,849	517	16,085	16,602	112,451
Depreciation and amortization	271,569	324,730	4,532	55,158	19,076	675,065	53,481	64,027	117,508	792,573
Consulting/professional	355,095	111,430	13,571	58,324	6,189	544,609	263,785	141,195	404,980	949,589
Membership, dues and licenses	17,084	11,022	1,087	2,826	1,046	33,065	9,858	14,576	24,434	57,499
Advertising	10	216	-	4,176	2,340	6,742	1,400	307	1,707	8,449
Corporate events and meetings	2,763	281	52	2,155	18	5,269	12,315	2,000	14,315	19,584
Merchant fees and bank charges	574	10	-	771	1,793	3,148	20,548	19,269	39,817	42,965
	$ 7,259,535	$ 3,072,551	$ 539,372	$ 1,311,294	$ 201,050	$ 12,383,802	$ 1,128,022	$ 1,687,053	$ 2,815,075	$ 15,198,877

See notes to financial statements.

Aspire of Illinois

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:		
Increase in net assets	$	3,264,221
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution of net assets		(2,420,042)
Depreciation		790,497
Amortization of loan fees		2,076
Loss on disposal of property		24,284
Bad debt expense		32,616
Donated property and equipment		(68,867)
Donated investments		(29,954)
Net realized and unrealized gains on investments		(122,644)
Effects of changes in operating assets and liabilities:		
Accounts receivable		291,175
Prepaid expenses		(27,819)
Accounts payable		(101,144)
Other accrued expenses		(10,269)
Other liabilities		10,147
Net cash provided by operating activities		1,634,277
Cash flows from investing activities:		
Cash donated by acquisition		480,102
Purchase of property and equipment		(283,347)
Proceeds from sale of property and equipment		2,000
Purchase of investments		(1,047,703)
Proceeds from sale of investments		923,528
Net cash provided by investing activities		74,580
Cash flows from financing activities:		
Net payments on line of credit		(788,427)
Loan fees paid		(13,889)
Principal payments on long-term debt		(204,738)
Proceeds from paycheck protection loan		1,942,972
Proceeds from long-term debt		6,544
Net cash provided by financing activities		942,462
Increase in cash		2,651,319
Cash:		
Beginning of year		22,904
End of year	$	2,674,223
Supplemental disclosure of cash flow information:		
Cash paid for interest	$	112,451
Noncash investing activity - Assets received by contribution in acquisition (Note 4)		
Assets acquired	$	4,104,588
Liabilities assumed		(1,684,546)
		2,420,042
Less cash acquired		(480,102)
Noncash net identifiable assets acquired	$	1,939,940

See notes to financial statements.

Note 1. Nature of Activities

Aspire of Illinois (Aspire) is a leading provider of services for more than 1,000 people with developmental disabilities and their families in the Chicago metropolitan area, Lake County (Illinois), and southeastern Wisconsin. 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, as well as virtually.

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

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

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

Note 2. Summary of Significant Accounting Policies

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

Acquisition of NorthPointe Resources, Inc.: On August 1, 2019, the Transfer of Assets and Assumption of Liabilities (Agreement) was effective between Aspire and NorthPointe Resources, Inc. The Agreement transferred the assets, liabilities, and control of NorthPointe Resources, Inc. to Aspire.

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: Contribution revenues and other support are recognized in the fiscal year that the pledges are received. Grant revenue is recognized when the related grant expenditure has been incurred. Program service fees are recognized as earned and net of allowances.

Note 2. Summary of Significant Accounting Policies (Continued)

Government grants: Aspire receives funding under grants from various federal, state and local government agencies. Revenue is recognized as income under government grant agreements based on their respective terms. Government grants are primarily conditional contributions which are recognized when the barriers have been substantially met (generally when qualifying expenses have been incurred and all other grant requirements have been met). Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. There was no deferred revenue or unexpended amounts received at June 30, 2020. The Agency receives a substantial amount of its operating support from government agencies. Any significant reduction in the level of this support could have an effect on the Aspire's programs.

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

The expenses and methods of allocation are as follows:

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable consist of obligations due primarily from government agencies. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled receivable balances and by using historical experience applied to an aging of accounts. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. Bad debt expense for fiscal year 2020 consists primarily of outstanding billings made to third-party payers during 2020 which were deemed uncollectible and written off.

Pledges receivable: Pledges receivable consist of unconditional promises to give and are recorded at net realizable value. As of June 30, 2020, Aspire's pledges receivable are for $735,802, all of which are expected to be collected within one year.

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, 3 to 10 years for furnishings and equipment, and 5 years for vehicles.

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

Loan fees: Loan fees are capitalized as incurred and are amortized over the life of the related debt up to 5 years, using a method which approximates the effective interest method. Two of Aspire's loans were refinanced in August 2019 and December 2019 and loan fees of $13,889 were capitalized. For the year ended June 30, 2020, the amount amortized was $2,076. The loan fee expenses and amortization are included in depreciation and amortization expense on the accompanying statement of functional expenses.

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

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

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

Contributions: Unconditional promises to give cash and other assets to Aspire are recorded at fair value at the date the promise is made and reported as increases in either net assets with or without donor restrictions. Amounts received that are for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

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% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in the financial statements.

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

Adopted accounting pronouncements: In 2016, the FASB issued Accounting Standards Update (ASU) 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. Adoption of this standard had no significant impact on the financial statements.

In 2018, the FASB issued ASU 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. Adoption of this standard had no significant impact on the financial statements.

Pending accounting pronouncements: In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. The updated standard will be effective for Aspire for its fiscal year ending June 30, 2021.

In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for Aspire for its fiscal year ending June 30, 2023, with early adoption permitted.

In June of 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. This ASU allows for a one-year effective date deferral of Topic 606 and Topic 842. Aspire has elected the one-year effective date deferral of Topic 606 and Topic 842 (reflected in effective dates above).

In 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring entities to present contributed nonfinancial assets as a separate line items in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets and entity has received. The new standard is effective for Aspire for its fiscal year ending June 30, 2022, with early adoption permitted.

Note 2. Summary of Significant Accounting Policies (Continued)

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

Risk and uncertainties: On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Effective March 13, 2020, the Agency transitioned to virtual services for all onsite programs, services, and remote work for all office personnel.

The full impact of COVID-19 on the Agency for the fiscal year ending June 30, 2021 and its financial results will depend on future developments which are highly uncertain. Aspire started the 2020-2021 fiscal year with in-home programming and the suspension of its day program services.

Subsequent events: Aspire has evaluated subsequent events for potential recognition and/or disclosure through December 10, 2020, 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 statement of activities:

Living: provides community group homes, independent living services, and life skills development to support people with disabilities.

Learning: provides day programs and vocation skills training to support the success of people with disabilities.

Mental Health: provides person-center services for people with disabilities on their journey to recovery from mental illness. Behavior therapy services provide assessment, intervention, and training in the development of positive strategies and techniques for positive behaviors for improved daily experiences and relationships.

Innovation: provides comprehensive services to support diversity in the workplace and in schools, independent living, alternatives to traditional employment, and job training and placement in collaboration with community partners.

CoffeeWorks: social enterprise and dynamic partnership with Metropolis Coffee Company and Canteen-Vending to employ adults with disabilities to roast and ship coffee across the country. All net proceeds benefit Aspire.

Note 4. Acquisition of NorthPointe Resources, Inc.

NorthPointe Resources, Inc., a nonprofit organization located in Lake County, Illinois, transferred it assets and liabilities to Aspire, effective August 1, 2019, pursuant to a transfer of assets and assumption of liabilities agreement between the entities. Control of the NorthPointe Resources, Inc. corporate entity was transferred to Aspire as well. No consideration was exchanged.

Two directors of NorthPointe's board joined Aspire's board, and 107 employees of NorthPointe became employees of Aspire on August 1, 2019.

Note 4. Acquisition of NorthPointe Resources, Inc. (Continued)

Similar to Aspire, NorthPointe Resources, Inc. is a tax-exempt entity which operates multiple programs for individuals with intellectual disabilities including residential facilities and day programs in Lake County, Illinois and southeastern Wisconsin.

Aspire considers this transaction to be an acquisition of a nonprofit activity under U.S. GAAP, and has recorded the acquired assets and liabilities at their estimated fair values at the date of acquisition, as follows:

Cash and cash equivalents	$ 480,102
Accounts receivable	572,933
Prepaid expenses	29,153
Property and equipment	3,022,400
Total assets acquired	4,104,588
Accounts payable	114,863
Accrued wage sand payroll taxes	222,596
Accrued vacation	110,101
Other liabilities	6,103
Notes payable	921,586
Conditional mortgages	309,297
Total liabilities assumed	1,684,546
Contribution received from acquisition	$ 2,420,042

A certain property included in the acquired assets above includes restrictions on its use (Note 12).

Note 5. Availability and Liquidity

The following represents Aspire's financial assets at June 30, 2020:

Financial assets at year-end:	
Cash and cash equivalents	$ 2,674,223
Accounts receivable	1,365,124
Investments:	
Board designated	1,330,957
Donor endowment	100,254
Restricted use	329,992
Total financial assets	$ 5,800,550
Less amounts not available to be used within one year:	
Net assets with donor restrictions	1,289,721
Board designated investments	1,330,957
	$ 2,620,678
Financial assets available to meet general expenditures over the next twelve months	$ 3,179,872

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

Note 6. 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 year ended June 30, 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent, and there are no unfunded commitments at June 30, 2020, 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, 2020 are composed of the following:

Investment securities:	
Money market funds	$ 345,327
Mutual funds:	
Fixed Income	276,768
Equity	873,810
Private equity	265,298
	$ 1,761,203

Note 6. Investments and Fair Value Measurements (Continued)

Dividends, interest and fees totaling $15,820 and realized and unrealized gains totaling $106,824 for the year ended June 30, 2020 are included in investment return on the statement of activities.

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

The following table presents Aspire's fair value measurements on a recurring basis at June 30, 2020:

	Fair Value Measurements at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Money market funds	$ 345,327	$ -	$ -	$ 345,327
Mutual funds:				
Fixed income	276,768	-	-	276,768
Equity	873,810	-	-	873,810
	$ 1,495,905	$ -	$ -	1,495,905
Investments measured at NAV				265,298
				$ 1,761,203

For the year ended June 30, 2020, the valuation techniques applied to similar assets and liabilities have been consistent with techniques used in previous years.

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

Note 7. Property and Equipment

Property and equipment are as follows at June 30:

Land	$ 1,756,992
Buildings	7,144,450
Buildings and leasehold improvements	8,285,375
Furnishings and equipment	1,341,966
Vehicles	941,942
Total property and equipment, at cost	19,470,725
Less accumulated depreciation	(9,091,881)
	$ 10,378,844

Property and equipment includes additions of $3,022,400 related to the acquisition of NorthPointe Resources, Inc. (Note 4).

Depreciation of property and equipment charged to expense was $790,497 for the year ended June 30, 2020. Depreciation expense includes charges related to disposals.

Note 8. Lease Commitments

Aspire has an operating lease for office space in Chicago, Illinois which commenced in March 2014. Aspire subsequently amended the lease in February 2019 for 3 years which is set to expire in January 2022. Total rent expense incurred under the operating lease totaled $79,775 for the year ended June 30, 2020.

Aspire entered into a lease agreement with TTS Group Incorporated for the financing of copier and printer equipment in December 2019. Lease payments commenced in March 2020 for a term of 63 months.

Aspire entered into a lease agreement with Enterprise Fleet Management in March 12, 2020 and took delivery of the first vehicle under the lease on June 22, 2020. Lease payments are to commence in July 2020 for a term of 4 years.

Future minimum lease payments, exclusive of additional operating costs, at June 30, 2020 were:

2021	$	87,971
2022		89,048
2023		59,875
2024		16,829
2025		10,023
	$	263,746

Note 9. Line of Credit

Aspire has two lines of credit with Fifth Third Bank. The first credit facility allows for an operating line of credit of up to $2,000,000 and expires on August 29, 2021. The agreement is collateralized by a lien on all property and assets of Aspire. Under the current agreement, amounts drawn against the line of credit bear interest at the LIBOR One-Month Daily Index (3.00% at June 30, 2020) plus 1.75%. At no time will the interest rate on the line of credit be less than 3.00% per annum.

The second credit facility allows for an operating line of credit of up to $900,000 and expires August 15, 2021. The agreement is collateralized by a lien on unrestricted investments. Under the current agreement, amounts drawn against the line of credit bear interest at the LIBOR One-Month Daily Index (3.00% at June 30, 2020) plus 1.00%.

There were no outstanding balances on the lines of credit as of June 30, 2020.

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

Note 10. Long-Term Debt

Long-term debt is as follows at June 30, 2020:

Mortgage note payable to Fifth Third Bank requiring monthly payments of $11,015 including interest at 4.64% through August 2023, with a final balloon payment due August 2023. The note is secured by real estate and requires Aspire to maintain certain financial ratios (including a debt service coverage ratio of available cash flow to debt service of not less than 1.10 to 1.00).	$	1,364,716
Mortgage note payable to Fifth Third Bank dated August 28, 2019 acquired from NorthPointe Resources, Inc. on August 1, 2019. The mortgage requires monthly payments of $1,733 including interest at 3.19% through August 2024. The note is secured by residential real estate located in Lake County, Illinois.		296,808
Mortgage note payable to Fifth Third Bank dated December 16, 2019 acquired from NorthPointe Resources, Inc. on August 1, 2019. The mortgage requires monthly payments of $2,015 including interest at 3.37% through December 2024. The note is secured by the commercial property located on Sheridan Road in Zion, Illinois.		335,774
Mortgage note payable to the Illinois Facilities Fund dated June 27, 2007 acquired from NorthPointe Resources, Inc. on August 1, 2019. The mortgage requires monthly payments of $3,654 including interest at 3.10% through July 1, 2022. The note is secured by the commercial property located on Sheridan Road in Zion, Illinois.		88,345
Mortgage note payable to the Illinois Facilities Fund dated March 6, 2008 acquired from NorthPointe Resources, Inc. on August 1, 2019. The mortgage requires monthly payments of $1,480 including interest at 3.81% through April 1, 2023. The note is secured by residential real estate located in Zion, Illinois.		47,639
Mortgage notes payable to Lake County, Illinois through the Lake County Department of Planning & Development dated March 6, 1998 acquired from NorthPointe Resources, Inc. on August 1, 2019. The mortgages require annual payments totaling $2,083 without interest and are due to mature March 1, 2028. The notes are secured by residential real estate located in Zion, Illinois.		17,716

Note 10. Long-Term Debt (Continued)

Mortgage note payable to Lake County, Illinois through the Lake County Department of Planning & Development dated January 28, 2000 acquired from NorthPointe Resources, Inc. on August 1, 2019. The mortgages require an annual payment of $1,458 without interest and are due to mature February 1, 2030. The note is secured by residential real estate located in Zion, Illinois.	$	14,590
Conditional mortgages payable to Lake County, Illinois acquired from NorthPointe Resources, Inc. on August 1, 2019. These mortgages were provided by Lake County to assist in the purchase of certain residential facilities. The mortgages do not require repayment provided the homes are utilized in the residential program during the terms of the respective agreements ranging from 15 to 30 years.		309,297
Less: unamortized loan fees		(11,812)
	$	2,463,073

Scheduled maturities in each of the next five years and thereafter are:

Years ending June 30:		
2021	$	147,346
2022		160,951
2023		200,286
2024		1,182,816
2025		661,674
Thereafter		121,812
		2,474,885
Less: unamortized loan fees		(11,812)
	$	2,463,073

Aspire refinanced two mortgages acquired through the acquisition of NorthPointe Resources, Inc. in August and December 2019. Closing costs for the refinancing totaled $13,899.

The first mortgage refinanced was the debt on the Lake County residences referred to as CILA homes and was executed on August 28, 2019. The mortgage amount refinanced was $305,966, requires monthly payments of $1,733 through August 2024 with a final payment estimated at $248,651. The outstanding balance on this mortgage was $296,808 as of June 30, 2020.

The second mortgage refinanced was the debt on the Killian Center located at 3441 Sheridan Road, Zion, Illinois and was executed on December 16, 2019. The mortgage amount refinanced was $350,000, requires monthly payments of $2,015 through December 2024 with a final payment estimated at $285,521. The outstanding balance on this mortgage was $335,774 as of June 30, 2020.

Note 11. Paycheck Protection Program Loans

The Coronavirus Aid, Relief and Economic Security Act, signed into law on Friday, March 27, 2020, introduced the Paycheck Protection Program (PPP) to provide funding to small businesses with the goal of preventing job loss and business failures due to losses caused by the COVID-19 pandemic. The PPP loan program was available for eligible small businesses, including non-profits, to provide a forgivable loan to cover payroll and other costs. Through the Small Business Administration, the PPP loan is a 100% federal guaranteed unsecured loan requiring no collateral. A borrower of a PPP loan is eligible for loan forgiveness up to the full amount of the loan and any accrued interest for costs incurred and payments made during the 24-week period after the lender makes the first disbursement of the PPP loan to the borrower, subject to proper documentation.

Aspire was eligible to apply for a PPP loan as a nonprofit Agency that employed no more than 500 employees whose principal place of residence is in the United States and was in operation as of February 15, 2020. Aspire applied for and received a PPP loan through Fifth Third Bank in the amount of $1,939,200. The date of the loan is April 20, 2020, and bears a fixed interest at a rate of 1% with a maturity date of two years from the date of the loan. Principal and interest payments are to begin seven months from the date of the note. The outstanding PPP loan balance was $1,942,972 at June 30, 2020, including accrued interest of $3,772 in fiscal year 2020.

Note 12. Net Assets

Net assets without donor restrictions for the year ended June 30, 2020 are as follows:

Undesignated	$	7,174,819
Board designated endowment		1,330,956
	$	8,505,775

Net assets with donor restrictions were as follows for the year ended June 30, 2020:

Specific purpose	$	1,199,722
Specific purpose-Killian property		746,548
Endowment		90,000
Total	$	2,036,270

Any proceeds received from a sale of the acquired NorthPointe Resources’ corporate offices located in Zion, Illinois (Killian property) are restricted for capital expenses and similar costs related to Lake County, Illinois properties. As a result, net assets with donor restrictions includes $746,548, an amount equivalent to the net book value of the Killian property less related mortgage debt. These restrictions remain in place until July 1, 2022.

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

Satisfaction of purpose restrictions	$	556,293
Total	$	556,293

Note 13. 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.

In June 2019, Aspire received a donor restricted endowment for the purpose of providing scholarship assistance to low-income individuals receiving services through Aspire's Life On My Own (LOMO) program. For the year ended June 30, 2020, no scholarship funds have been awarded. These funds are maintained in a separate investment account.

Aspire's endowment net asset composition by type of fund is as follows for the year ended June 30, 2020:

	2020		
	Without Donor Restrictions	Donor Restricted	Total
Board designated	$ 1,330,957	$ -	$ 1,330,957
Donor restricted	-	100,254	100,254
Total	$ 1,330,957	$ 100,254	$ 1,431,211

The changes in endowment net assets for Aspire were as follows for the year ended June 30, 2020:

	2020		
	Without Donor Restrictions	Donor Restricted	Total
Endowment net assets, beginning of year	$ 1,220,484	$ 90,000	$ 1,310,484
Investment income	110,473	10,254	120,727
Endowment net assets, end of year	$ 1,330,957	$ 100,254	$ 1,431,211

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

Investment Policy

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

Spending Policy

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

Note 13. Endowment Fund (Continued)

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

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

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

Note 14. 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% of the participant's contributions up to a maximum participant contribution of 5%. Participants are fully vested in their contributions at all times and vest over six years in any matching contributions made by Aspire. Matching contributions made by Aspire to the plan totaled $38,568 for the year ended June 30, 2020.

Note 15. 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% 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 year ended June 30, 2020 totaled $8,739. At June 30, 2020, $103,286 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 16. Significant Concentrations

Approximately 74% of Aspire's revenues for the year ended June 30, 2020, 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 33% of the total outstanding accounts receivable balance as of June 30, 2020.

Note 17. 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 any such audits since the amounts, if any, cannot be determined at this time.