

UASPIRE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
uAspire, Inc.

We have audited the accompanying financial statements of uAspire, Inc., a Massachusetts non-profit organization, (the "Organization") which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of uAspire, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited uAspire, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Chestnut Hill, Massachusetts

January 14, 2022

UASPIRE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS

	2021	2020
Cash and cash equivalents (includes certificates of deposit of \$ - and \$50,117 at June 30, 2021 and 2020, respectively)	\$ 1,845,669	\$ 4,916,485
Investments	5,036,760	778,543
Investments - restricted	44,700	44,700
Program receivables	321,508	157,562
Promises to give	769,011	1,089,412
Prepaid expenses and other assets	117,881	41,384
Property and equipment, net	14,272	30,554
Deposits	11,375	29,395
Total assets	\$ 8,161,176	\$ 7,088,035

LIABILITIES AND NET ASSETS

Liabilities:		
Paycheck Protection Program loan	\$ 1,109,915	\$ 1,142,357
Accounts payable and accrued expenses	427,022	388,976
Deferred rent	113,591	150,864
Deferred revenue	8,000	-
Donor-designated funds	41,981	177,397
Other liabilities	17,433	17,433
Total liabilities	1,717,942	1,877,027
Net assets:		
Without donor restrictions	3,585,941	1,478,177
With donor restrictions	2,857,293	3,732,831
Total net assets	6,443,234	5,211,008
Total liabilities and net assets	\$ 8,161,176	\$ 7,088,035

UASPIRE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021 with Comparative Totals for the Year Ended June 30, 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues:				
Contributions	\$ 5,308,520	\$ 1,646,171	\$ 6,954,691	\$ 10,950,535
Program revenue	775,986	-	775,986	486,660
Dividend and interest income	52,954	-	52,954	35,550
Donated services and facilities	74,649	-	74,649	282,985
Realized and unrealized gain (loss) on investments	166,623	-	166,623	(11,782)
Paycheck Protection Program loan forgiveness	1,142,357	-	1,142,357	-
Net assets released from restrictions	2,521,709	(2,521,709)	-	-
Total support and revenues	10,042,798	(875,538)	9,167,260	11,743,948
Expenses:				
Program services	5,106,790	-	5,106,790	5,483,283
General and administrative	1,054,902	-	1,054,902	902,241
Fundraising	1,773,342	-	1,773,342	2,155,240
Total expenses	7,935,034	-	7,935,034	8,540,764
Increase (decrease) in net assets	2,107,764	(875,538)	1,232,226	3,203,184
Net assets, beginning of year	1,478,177	3,732,831	5,211,008	2,007,824
Net assets, end of year	\$ 3,585,941	\$ 2,857,293	\$ 6,443,234	\$ 5,211,008

UASPIRE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021 With Comparative Totals for the Year Ended June 30, 2020

	2021				2020
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Bank service fees and interest	\$ -	\$ 833	\$ 8,248	\$ 9,081	\$ 10,735
Depreciation	-	16,282	-	16,282	18,696
Donated services and facilities (see Note 2)	20,000	54,649	-	74,649	282,985
Electricity	11,431	3,117	5,567	20,115	23,253
Employee benefits	697,932	-	-	697,932	716,899
Equipment rental and maintenance	6,900	1,882	3,361	12,143	18,352
Events	4,244	-	11,501	15,745	14,251
Insurance	18,911	-	-	18,911	63,096
Marketing and promotion	16,188	-	-	16,188	11,664
Office supplies, printing and postage	11,843	3,230	5,768	20,841	32,871
Payroll taxes and service fees	205,331	55,994	99,995	361,320	399,924
Professional consulting and services	275,822	42,853	74,423	393,098	300,099
Rent	229,537	63,686	113,731	406,954	479,991
Salaries	2,830,056	771,761	1,378,217	4,980,034	5,204,895
Scholarships	505,276	-	-	505,276	303,450
Staff development	22,054	6,014	10,740	38,808	73,773
Technology consulting	52,460	9,942	17,755	80,157	157,441
Technology hardware	7,543	2,057	3,674	13,274	30,841
Technology software	155,047	13,504	24,115	192,666	204,140
Telephone and internet	33,361	9,098	16,247	58,706	56,745
Travel, meals and conferences	2,854	-	-	2,854	136,663
Total	\$ 5,106,790	\$ 1,054,902	\$ 1,773,342	\$ 7,935,034	\$ 8,540,764

UASPIRE, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,232,226	\$ 3,203,184
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Realized and unrealized (gain) loss on investments	(166,623)	11,782
Non-cash donations of common stock	(15,689)	(30,557)
Investment fees	3,549	5,225
Non-cash dividend and interest income	(56,503)	(40,774)
Depreciation	16,282	18,696
Paycheck Protection Program loan forgiveness	(1,142,357)	-
Changes in operating assets and liabilities:		
Program receivables	(163,946)	323,256
Promises to give	320,401	214,132
Prepaid expenses and other assets	(76,497)	32,155
Accounts payable and accrued expenses	38,046	57,381
Deferred rent	(37,273)	(6,233)
Deferred revenue	8,000	-
Donor-designated funds	(135,416)	111,009
Deposits	18,020	(16,220)
Other liabilities	-	17,433
Net cash provided by (used for) operating activities	(157,780)	3,900,469
Cash flows from investing activities:		
Purchase of investments	(4,156,212)	(234,284)
Proceeds from sales of investments	133,261	132,366
Net cash used for investing activities	(4,022,951)	(101,918)
Cash flows from financing activities:		
Net payments on line of credit	-	(825,200)
Borrowings under Paycheck Protection Program loan	1,109,915	1,142,357
Net cash provided by financing activities	1,109,915	317,157
Net increase (decrease) in cash and cash equivalents	(3,070,816)	4,115,708
Cash and cash equivalents, beginning of year	4,916,485	800,777
Cash and cash equivalents, end of year	\$ 1,845,669	\$ 4,916,485

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 1 **Nature of Organization**

uAspire, Inc. (“uAspire”, or the “Organization”) is a corporation that operates exclusively for charitable and educational purposes. Its mission is to ensure that young people have the financial information and resources necessary to find an affordable path to and through college. uAspire works primarily in underserved communities throughout Boston, Fall River, Malden, Cambridge and Somerville, Massachusetts, San Francisco and Oakland, California and New York, New York. To advance social mobility and place economic prosperity within the reach of these communities, the Organization provides financial aid advising directly to students, need-based scholarships, and programs that assist high school graduates with financial aid issues while they are in college. Through uAspire’s Training and Technical Assistance Program, the Organization works with school districts, charter management organizations and youth-serving organizations across the country to better prepare fellow practitioners to guide their students toward the most affordable path to and through college. The Organization also engages in federal and state policy and systems change efforts that advocate for simpler pathways to financial aid for all students, greater transparency in college cost and equitable distribution of aid.

The Organization is supported by providing advising and training services to partner institutions and contributions received directly from donors within the general public.

Note 2 **Summary of significant accounting policies**

Change in accounting policy

On July 1, 2020, the Organization adopted Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* by applying the modified retrospective method to those contracts which were not completed as of June 30, 2020. Results for reporting periods beginning after July 1, 2020 are presented under ASC 606 while prior period amounts are not adjusted and continue to be reported in accordance with the previous guidance, ASC 605, *Revenue Recognition*. Under ASC 606, revenue is recognized upon the transfer of control of goods or services under a five-step model, whereas under ASC 605, revenue was recognized under a risk and reward-based model. The adoption of ASC 606 did not have a material effect on the Organization’s financial statements.

Recently issued accounting pronouncements – Lease accounting

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The new guidance primarily impacts lessee accounting by requiring the recognition of a right-of-use asset and a corresponding lease liability on the statement of financial position for long term lease agreements. The lease liability will be equal to the present value of all reasonably certain lease payments. The right-of-use asset will be based on the liability, subject to adjustment for initial direct costs and the impact of escalation provisions in the respective agreements. Lease agreements that are 12 months or less are permitted to be excluded from the statement of financial position. Leases will be classified as finance or operating, with classifications affecting the pattern of expense recognition in the statement of activities and changes in net assets. In general, leases will be amortized on a straight line basis.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 2 **Summary of significant accounting policies (continued)**

Recently issued accounting pronouncements – Lease accounting (continued)

This new guidance was originally effective for the annual reporting year beginning after December 15, 2020. Due to the coronavirus pandemic, the FASB issued ASU 2020-05, which has provided non-public entities an option to defer implementation for one year. The standard is now effective for the annual reporting period beginning after December 15, 2021.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

Accounting standards require the Organization to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are comprised of assets relating to activities that are not subject to donor stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These assets may be used at the discretion of the Organization's management and Board of Directors. There were no assets designated for specific purposes by the Board of Directors as of June 30, 2021 and 2020. Net assets with donor restrictions whose restrictions are met in the same reporting period are presented as net assets without donor restrictions.

Net assets with donor restrictions are comprised of those assets for which use is limited by donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor stipulated the funds be maintained in perpetuity. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. As of June 30, 2021 and 2020, the Organization had \$2,857,293 and \$3,732,831, respectively, of net assets with donor restrictions (see Note 14).

Income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from state income taxes.

The FASB has issued a standard that clarifies the accounting and recognition of income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 2 **Summary of significant accounting policies (continued)**

Income tax status (continued)

Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain tax positions. If the Organization incurs interest or penalties as a result of unrecognized tax positions the policy is to classify interest accrued with interest expense and penalties thereon with general and administrative expenses. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Donor-designated endowments

The Organization's endowment consists of investment accounts presently maintained at UBS Financial Services, Inc. The Board of Directors has determined that certain of the Organization's net assets that are restricted in perpetuity meets the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The original source of the funds in such accounts was a fundraising campaign for the "uAspire endowment".

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction, if any, of the applicable donor gift instrument at the time the accumulation is added to the fund. At June 30, 2021 and 2020, the remaining portion of the donor-restricted endowment fund in excess of the original value and subsequent gifts that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment return objectives, risk parameters and strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 2 **Summary of significant accounting policies (continued)**

Investment return objectives, risk parameters and strategies (continued)

Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes exchange-traded funds, corporate bonds, mutual funds and common stock that is intended to result in a consistent inflation-protected positive rate of return that has sufficient liquidity to support the spending policy, market conditions permitting.

Spending policy

The Organization has a policy of comingling any investment gains earned on the corpus with general operating funds and accounts of the Organization.

Investments and investment income and gains

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Fair value is 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. See Note 5 for discussions of fair value measurements.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Investment expenses are netted with dividends and interest income in the statements of activities and changes in net assets.

Cash and cash equivalents

For purposes of the statements of cash flows, cash equivalents include money market funds and certificates of deposit with original maturities of three months or less.

Promises to give

Unconditional promises to give are recognized in the period the promise is received, as revenues or gains, or as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions are recorded as revenue when earned by the Organization, which may be when cash is received, an unconditional promise to give is made, or ownership of other assets is transferred to the Organization. Contributions are recorded at fair value at the date of donation.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 2 **Summary of significant accounting policies (continued)**

Functional allocation of expenses

The costs of providing the Organization's programs and supporting services have been summarized in the statements of functional expenses. Expenses related directly to program activities are charged directly to program services while other expenses that are common to several functions are allocated based on management's estimates, among major classes of program services and support activities. Certain expenses have been allocated based on factors such as time, effort and square footage.

Donated services and facilities

Donated services and facilities are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and may otherwise be purchased by the Organization.

During the years ended June 30, 2021 and 2020, the Organization received and recognized donated services and facilities usage, recorded at fair market value, as follows:

	<u>2021</u>	<u>2020</u>
Other:		
Facilities	\$ 20,000	\$ 20,000
Other	175	-
Services:		
Consulting	-	125,000
Legal	<u>54,474</u>	<u>137,985</u>
	<u>\$ 74,649</u>	<u>\$ 282,985</u>

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair value

Accounting standards provide a common definition of fair value and establish a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. Accounting standards also require expanded disclosures to provide information about the extent to which fair value is used to measure certain financial assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. The Organization's financial assets reflected in the financial statements at fair value include its investments (see Note 5).

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 2 **Summary of significant accounting policies (continued)**

Fair value (continued)

The carrying amounts of financial instruments, including cash and cash equivalents, program receivables, promises to give, deposits, accounts payable and accrued expenses, donor-designated funds, other liabilities and the paycheck protection program loan approximate fair market value due to the short-term maturities of these assets and liabilities.

Program receivables

Program receivables consist mainly of amounts due from various donors, certain educational institutions, and other program partners. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to program receivables. There is no allowance for doubtful accounts at June 30, 2021 and 2020.

Program service revenue

ASC 606 defines a five-step process to recognize revenue that requires judgment and estimates, including identifying the contract with the client, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when or as the performance obligation is satisfied.

The Organization enters into contracts that define various student advising, scholarship administration, training and consulting services. Services defined in the contracts are generally capable of being distinct and accounted for as separate performance obligations. The majority of the Organization's program service revenues are derived from consulting services provided to clients.

Management uses judgment in evaluation of the following criteria: 1) the client simultaneously receives and consumes the benefits provided by the performance of the service; 2) the performance creates or enhances an asset that is under control of the client; 3) the performance does not create an asset with an alternative use to the Organization; 4) the Organization has an enforceable right to payment. Specifically, fees for services performed are recognized at a point in time as the Organization satisfies the performance obligation and the benefit is received by the client. Clients have the ability to prepay, and those amounts are reported as deferred revenue on the accompanying statements of financial position.

The Organization does not incur significant costs that are required to be capitalized in connection with obtaining a contract. Expenses related to the incremental direct costs of obtaining the contracts are expensed as incurred, because the amortization period would be less than one year.

Disaggregated revenue information related to the Organization's revenue streams is presented on the statements of activities and changes in net assets.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 2 **Summary of significant accounting policies (continued)**

Reclassifications

Certain accounts have been reclassified in the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent events

Subsequent events were evaluated through January 14, 2022, which is the date the financial statements were available to be issued.

Note 3 **Availability and liquidity**

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure such as operating expenses, payments on outstanding liabilities or capital expenditures were as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,845,669
Investments	5,036,760
Program receivables	321,508
Promises to give	<u>769,011</u>
Total financial assets available within one year	7,972,948
Liquidity resources at end of year:	
Line of credit	<u>1,000,000</u>
Total financial assets and liquidity resources available within one year	8,972,948
Less: net assets with donor restrictions	(2,857,293)
Less: donor-designated funds	<u>(41,981)</u>
Financial assets and liquidity resources available to meet cash needs for general expenditures over the next twelve months	\$ <u><u>6,073,674</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations may come due.

Note 4 **Promises to give**

Promises to give consists of pledges receivable and represent contributions receivable that are expected to be collected within one year of the statement of financial position date and are recorded at net realizable value.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 4 **Promises to give (continued)**

Conditional pledges

The Organization had certain conditional promises to give totaling \$1,649,500 (due at various dates through August 2, 2023) at June 30, 2021. These conditional amounts are not included in the accompanying financial statements. At the time that the applicable donor-imposed conditions have been substantially met these amounts will be recorded as contributions.

Note 5 **Fair value measurements**

Accounting standards require that financial assets and liabilities, recognized or disclosed in financial statements on a recurring basis (at least annually), be measured at fair value. These standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset and liability in an orderly transaction between market participants on the measurement date.

These standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These standards describe three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability that are significant to the fair value measurement. These inputs reflect the Organization's assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs are only used when higher level inputs are not available.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 5 **Fair value measurements (continued)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Exchange-traded funds: Exchange-traded funds are reported at fair value based on quoted market prices on national securities exchanges of the underlying assets of the fund.

Certificates of deposit: Consist of fixed rate certificates and are valued using various techniques, which may consider recently executed transactions in securities of the issuer of comparable issuers, market price quotations (where observable), interest rates and other data related to the issuer. The certificates of deposit have original maturity dates in excess of three months.

Corporate bonds: The fair value of corporate bonds is estimated using various techniques, which may consider the recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data related to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Common stock: Common stock is reported at fair value based on quoted market prices on national securities exchanges.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the valuation of the Organization's financial assets as of June 30, 2021:

Investments:

Exchange traded funds	\$ 128,846	\$ -	\$ -	\$ 128,846
Certificates of deposit	156,212	-	-	156,212
Corporate bonds	-	27,640	-	27,640
Mutual funds	<u>4,768,762</u>	-	-	<u>4,768,762</u>
Total assets at fair value	<u>\$ 5,053,820</u>	<u>\$ 27,640</u>	<u>\$ -</u>	<u>\$ 5,081,460</u>

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 5 Fair value measurements (continued)

The certificates of deposit mature at various dates through November 2024 and earn interest at various rates ranging from 1.83% to 3.03%. The corporate bond matures in February 2025 and earns interest at 3%.

The following table summarizes the valuation of the Organization's financial assets as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Exchange traded funds	\$ 112,551	\$ -	\$ -	\$ 112,551
Certificates of deposit	234,284	-	-	234,284
Corporate bonds	-	28,251	-	28,251
Common stock	12,531	-	-	12,531
Mutual funds	<u>435,626</u>	<u>-</u>	<u>-</u>	<u>435,626</u>
Total assets at fair value	<u>\$ 794,992</u>	<u>\$ 28,251</u>	<u>\$ -</u>	<u>\$ 823,243</u>

Note 6 Property and equipment

Property and equipment is stated at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets.

The policy of the Organization is to capitalize property and equipment over \$5,000. Normal maintenance and repair costs are expensed as incurred. As of June 30, 2021 and 2020, property and equipment consisted of the following:

<u>Asset Category</u>	<u>Estimated Useful Life</u>	<u>2021</u>	<u>2020</u>
Furniture and equipment	5 years	\$ 63,471	\$ 63,471
Leasehold improvements	Life of lease	<u>28,029</u>	<u>28,029</u>
		91,500	91,500
Less accumulated depreciation		<u>77,228</u>	<u>60,946</u>
		<u>\$ 14,272</u>	<u>\$ 30,554</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$16,282 and \$18,696, respectively.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 7 **Paycheck Protection Program loan**

On April 14, 2020, the Organization received \$1,142,357 of funds under the Paycheck Protection Program of H.R. 748, the purpose of which is to provide emergency assistance for organizations affected by the 2020 coronavirus pandemic.

The Organization may request in writing that the principal balance of the note and all accrued interest be forgiven upon certification that all proceeds of the note have been used for forgivable purposes as described in 13 CFR Part 120 and the guidance promulgated thereunder by Small Business Administration, an Agency of the United States of America ("SBA").

On December 30, 2020, the Organization was notified by the SBA that the loan had been forgiven in full. Therefore, the Organization recognized the outstanding balance of \$1,142,357 as Paycheck Protection Program loan forgiveness, which is included in support and revenues in the accompanying statements of activities and changes in net assets.

On February 25, 2021, the Organization received \$1,109,915 under the additional Coronavirus Response and Relief section of H.R. 133, the purpose of which is to provide a second round of emergency assistance for organizations affected by the 2020 coronavirus pandemic. As the related expenditures have not been recognized in full as of June 30, 2021, this account has been presented as a note in the accompanying statement of financial position as of June 30, 2021. On November 9, 2021, the Organization received acceptance from the SBA to forgive the second round of the Paycheck Protection Program loan in the amount of \$1,109,915.

Note 8 **Line of credit**

The Organization has a revolving line of credit agreement, to allow maximum borrowings up to \$1,000,000 with the outstanding borrowings due on demand. There was no balance on the line of credit as of June 30, 2021 and 2020. Borrowings under this agreement are secured by substantially all assets of the Organization and bear interest at the banks base rate, as defined (4.06% at June 30, 2021).

Note 9 **Donor-designated funds**

During the years ended June 30, 2021 and 2020, the Organization received funds from certain donors that are intended for student scholarships. The donors have discretion in determining the type and/or the recipients of those scholarships; therefore, these funds are treated as an agency transaction and have been recorded on the accompanying statements of financial position as a liability. As of June 30, 2021 and 2020 donor designated funds totaled \$41,981 and \$177,397, respectively.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 10 **Commitments and contingencies**

Office lease

The Organization has an agreement to lease its Boston facilities under an operating lease expiring in October 2023 with an option to extend an additional five years under terms and conditions as described in the agreement.

The base rent under the current lease arrangement is adjusted annually, as defined in the agreement. In addition to the base rent, the Organization is responsible for paying its portion of real estate taxes and utilities.

Effective April 19, 2017, the Organization amended the lease to secure additional space ("Expansion Premises") in the facility with an expiration of June 30, 2019. Effective October 31, 2018, the Organization extended the Expansion Premises term to be co-terminus with the expiration of the original operating lease. The lease expense, related to this agreement, for the years ended June 30, 2021 and 2020, was \$422,414 and \$411,382, respectively. The Organization is required to maintain a letter of credit, as defined in the lease agreement, totaling \$44,700 which is included in investments – restricted in the statements of financial position.

The Organization entered into an agreement to sublease the expansion premises to a subtenant, commencing on February 1, 2020 expiring in October 2023. The subtenant is required to pay base rent under the current sublease agreement and is adjusted annually, as defined in the agreement. Total rental income for the years ended June 30, 2021 and 2020 was \$104,600 and \$44,564, respectively, which is included in rent expense in the statement of functional expenses. The following is a schedule of estimated rental income due under the sublease agreement:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 107,564
2023	109,656
2024	<u>36,959</u>
	<u>\$ 254,179</u>

The Organization has entered into various sublease agreements that expire at various dates through March 31, 2022. Lease expense, related to these agreements, for the years ended June 30, 2021 and 2020 was \$98,846 and \$107,562, respectively.

Effective August 9, 2018, the Organization was donated office space in New York with a commencement date of September 1, 2018. There are no monthly rent payments due and the Organization is a tenant at will. The value of the donated facility is \$20,000 per year as disclosed in Note 2.

The Organization records monthly rent expense equal to the total payments due divided by the number of months in the lease term. The difference between rent expense recorded and paid is credited to deferred rent which is included in the accompanying statements of financial position.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 10 **Commitments and contingencies (continued)**

Office lease (continued)

The future minimum lease payments due under the terms of the leases for the years ending after June 30, 2021 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 491,755
2023	441,498
2024	148,360
	<u>\$ 1,081,613</u>

Note 11 **Related party transactions**

During the years ended June 30, 2021 and 2020, certain employees and members of the Board of Directors made contributions to the Organization totaling \$181,199 and \$248,788, respectively. As of June 30, 2021 and 2020, pledges receivable from these related parties totaled \$5,436 and \$900, respectively.

Note 12 **Concentrations of credit risk**

The Organization places its cash at financial institutions in bank deposits, which may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant risk with respect to cash.

Note 13 **Retirement plan**

The Organization sponsors two 403(b) plans for all eligible employees. All employees of the Organization are eligible for the uAspire TDA Plan ("TDA Plan") upon hire. Employees are eligible for the uAspire DC Plan ("DC Plan") after completing one year of service, as defined. Under the TDA Plan, eligible employees may elect to contribute through payroll reductions.

Under the DC Plan, the Organization contributes an amount equal to 5% of each eligible participant's compensation. Participants are immediately vested in employer contributions. Contributions from the Organization to the DC Plan totaled \$210,558 and \$209,061 for the years ended June 30, 2021 and 2020, respectively.

UASPIRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

Note 14 **Net assets with donor restrictions**

At June 30, net assets with donor restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
<u>Time or Purpose Restrictions</u>		
Bay Area Student Advising	\$ 23,454	\$ 154,004
Consulting	354,413	-
COVID-19 Response	305,456	-
Expansion and Exploration	671,924	456,382
Massachusetts Student Advising	732,223	670,520
New York City Student Advising	20,625	116,875
Other	26,000	383,232
Policy and Systems Change	36,667	647,370
Scholarships	18,183	175,007
Training and Technical Assistance	<u>110,439</u>	<u>571,532</u>
Total	2,299,384	3,174,922
 <u>Gifts Held in Perpetuity</u>		
Donor - Designated Endowment Fund	<u>557,909</u>	<u>557,909</u>
Total Net Assets With Donor Restrictions	\$ <u><u>2,857,293</u></u>	\$ <u><u>3,732,831</u></u>

Gifts held in perpetuity, which are included in investments and investments – restricted in the accompanying statements of financial position, consisted of the following:

Balance July 1, 2019	\$ 557,909
Dividend and interest income	29,736
Unrealized loss	(9,855)
Allocation to net assets without donor restrictions	<u>(19,881)</u>
Balance June 30, 2020	557,909
Dividend and interest income	35,887
Unrealized gain	112,920
Allocation to net assets without donor restrictions	<u>(148,807)</u>
Balance June 30, 2021	\$ <u><u>557,909</u></u>