

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.

FINANCIAL STATEMENTS

JUNE 30, 2011



Leaf & Cole, LLP
Certified Public Accountants

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
FINANCIAL STATEMENTS
JUNE 30, 2011

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Steven W. Northcote, C.P.A.
Michael S. Schreibman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Kids Included Together - San Diego, Inc.
San Diego, California

We have audited the accompanying statement of financial position of Kids Included Together - San Diego, Inc. as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Kids Included Together - San Diego, Inc.'s 2010 financial statements and in our report dated September 15, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Included Together - San Diego, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
September 21, 2011

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
STATEMENT OF FINANCIAL POSIITON
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
<u>Current Assets:</u> (Notes 1 and 2)		
Cash and cash equivalents	\$ 207,131	\$ 268,282
Accounts receivable	14,105	-
Grants and contracts receivable	232,454	34,451
Prepaid expenses and deposits	47,843	20,183
Total Current Assets	<u>501,533</u>	<u>322,916</u>
<u>Noncurrent Assets:</u> (Notes 1 and 3)		
Property, furniture and equipment, net	<u>140,618</u>	<u>144,502</u>
Total Noncurrent Assets	<u>140,618</u>	<u>144,502</u>
TOTAL ASSETS	<u><u>\$ 642,151</u></u>	<u><u>\$ 467,418</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Note 1)		
Accounts payable	\$ 22,599	\$ 19,748
Accrued expenses	112,402	28,289
Deferred revenue	19,833	13,485
Total Current Liabilities	<u>154,834</u>	<u>61,522</u>
<u>Commitments</u> (Notes 4 and 6)		
<u>Unrestricted Net Assets</u> (Note 1)	<u>487,317</u>	<u>405,896</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 642,151</u></u>	<u><u>\$ 467,418</u></u>

The accompanying notes are an integral part of the financial statements.

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	<u>2011</u>	<u>2010</u>
<u>Support and Revenue:</u>		
Training revenue	\$ 1,123,101	\$ 357,593
Contributions	183,197	271,808
Special events	124,881	67,474
Interest income	569	1,036
Total Support and Revenue	<u>1,431,748</u>	<u>697,911</u>
<u>Expenses:</u>		
Program Services:		
NTCI	648,902	80,174
Affiliates	355,129	447,989
Mitsubishi Electric America Foundation	51,591	37,673
Total Program Services	<u>1,055,622</u>	<u>565,836</u>
Supporting Services:		
Management and general	109,279	87,787
Fundraising	119,507	85,557
Total Supporting Services	<u>228,786</u>	<u>173,344</u>
Special Events	<u>65,919</u>	<u>43,668</u>
Total Expenses	<u>1,350,327</u>	<u>782,848</u>
Change in Unrestricted Net Assets	81,421	(84,937)
Unrestricted Net Assets at Beginning of Year	<u>405,896</u>	<u>490,833</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u><u>\$ 487,317</u></u>	<u><u>\$ 405,896</u></u>

The accompanying notes are an integral part of the financial statements.

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Program Services				Supporting Services				Special Events	2011 Total	2010 Total
	NTCI	Affiliates	Mitsubishi Electric America Foundation	Total Program Services	Management and General	Fundraising	Total Supporting Services				
Salaries and Related Expenses:											
Salaries and wages	\$ 348,820	\$ 198,044	\$ 17,668	\$ 564,532	\$ 53,765	\$ 79,062	\$ 132,827	\$ -	\$ 697,359	\$ 384,124	
Employer payroll taxes and benefits	34,670	58,746	5,227	98,643	13,387	22,516	35,903	-	134,546	93,461	
Total Salaries and Related Expenses	<u>383,490</u>	<u>256,790</u>	<u>22,895</u>	<u>663,175</u>	<u>67,152</u>	<u>101,578</u>	<u>168,730</u>	<u>-</u>	<u>831,905</u>	<u>477,585</u>	
Nonsalary Related Expenses:											
Training materials expense	87,005	12,853	6,583	106,441	-	115	115	-	106,556	43,668	
Event costs	-	-	-	-	-	-	-	65,919	65,919	42,006	
Travel expense	57,468	2,460	5,095	65,023	318	20	338	-	65,361	38,699	
Consultants	36,147	1,408	6,475	44,030	12,055	5,035	17,090	-	61,120	34,837	
Rent expense	9,946	27,532	1,692	39,170	3,677	2,222	5,899	-	45,069	33,391	
Depreciation	14,784	14,784	-	29,568	3,562	2,494	6,056	-	35,624	29,231	
Printing and reproduction	25,409	608	4,525	30,542	360	487	847	-	31,389	11,655	
Computer expense	9,703	7,944	-	17,647	1,493	2,265	3,758	-	21,405	10,229	
Telephone	4,365	4,637	-	9,002	963	880	1,843	-	10,845	9,114	
Insurance	1,057	7,017	-	8,074	1,186	1,289	2,475	-	10,549	8,818	
Utilities	2,360	5,461	-	7,821	939	666	1,605	-	9,426	8,687	
Office supplies	5,474	1,003	1,501	7,978	996	3	999	-	8,977	8,291	
Financial services	-	6,416	-	6,416	1,869	542	2,411	-	8,827	7,180	
Promotions/marketing	1,112	1,598	-	2,710	4,604	1,264	5,868	-	8,578	6,745	
Postage and delivery	4,277	2,148	1,250	7,675	427	288	715	-	8,390	2,698	
BOD/Volunteer expenses	237	744	-	981	5,182	76	5,258	-	6,239	2,568	
Repairs and maintenance	2,785	585	-	3,370	405	55	460	-	3,830	1,537	
Meeting expense	1,114	261	1,500	2,875	828	53	881	-	3,756	1,393	
Merchant service fees	125	35	-	160	2,672	-	2,672	-	2,832	1,300	
Dues and subscriptions	1,550	264	-	1,814	100	105	205	-	2,019	1,130	
Staff development	282	245	-	527	491	70	561	-	1,088	1,045	
Mileage	212	336	75	623	-	-	-	-	623	1,041	
Total Nonsalary Related Expenses	<u>265,412</u>	<u>98,339</u>	<u>28,696</u>	<u>392,447</u>	<u>42,127</u>	<u>17,929</u>	<u>60,056</u>	<u>65,919</u>	<u>518,422</u>	<u>305,263</u>	
TOTAL FUNCTIONAL EXPENSES	<u>\$ 648,902</u>	<u>\$ 355,129</u>	<u>\$ 51,591</u>	<u>\$ 1,055,622</u>	<u>\$ 109,279</u>	<u>\$ 119,507</u>	<u>\$ 228,786</u>	<u>\$ 65,919</u>	<u>\$ 1,350,327</u>	<u>\$ 782,848</u>	

The accompanying notes are an integral part of the financial statements.

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	<u>2011</u>	<u>2010</u>
<u>Cash Flows From Operating Activities:</u>		
Change in unrestricted net assets	\$ 81,421	\$ (84,937)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	35,624	38,699
(Increase) Decrease in:		
Accounts receivable	(14,105)	4,752
Grants and contracts receivable	(198,003)	79,411
Unconditional promises to give	-	27,667
Prepaid expenses and deposits	(27,660)	5,583
Increase (Decrease) in:		
Accounts payable	2,851	6,331
Accrued expenses	84,113	2,191
Deferred revenue	6,348	13,485
Net Cash (Used in) Provided by Operating Activities	<u>(29,411)</u>	<u>93,182</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property, furniture and equipment	(31,740)	(3,627)
Net Cash Used in Investing Activities	<u>(31,740)</u>	<u>(3,627)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on lines-of-credit	(20,000)	-
Borrowings on lines-of-credit	20,000	-
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(61,151)	89,555
Cash and Cash Equivalents at Beginning of Year	<u>268,282</u>	<u>178,727</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 207,131</u></u>	<u><u>\$ 268,282</u></u>

The accompanying notes are an integral part of the financial statements.

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

Note 1 - Organization and Significant Accounting Policies:

Organization and Nature Activities

Kids Included Together - San Diego, Inc. ("KIT") is a registered 501(c)(3) non-profit organization founded in San Diego, California in 1997. The mission of KIT is to provide learning opportunities that support recreation, child development and youth enrichment programs to include children with and without disabilities.

KIT's goals are to enrich the lives of all who participate and to increase understanding and acceptance of disabilities as a natural part of life. The following is a brief description of KIT's professional development and training programs:

KIT Local and National Affiliates

During fiscal year 2010 - 2011, KIT provided free-of-charge training, support, consultation, coaching and technical assistance to 64 local and five national affiliate organizations representing over 335 recreation, enrichment and child and youth development site locations. KIT Affiliates are a diverse group including: city parks and recreation departments; child development centers; dance, art and theater organizations; before and after school programs; resident and day camps; YMCAs; girl scouts; and other enrichment organizations. Since its inception, KIT Affiliates have served over 25,000 children with disabilities.

KIT received another grant this year from the Mitsubishi Electric America Foundation (MEAF) to offer one to two-day Inclusion Institutes in partnership with five of the MEAF National Affiliates. The goal was to spread the tools of inclusion by partnering with the MEAF trained staff at each organization to present the *Opening Doors to Inclusion* live training series to a number of other out-of-school time programs in its greater community. Once the participants attended the Inclusion Institutes, they were then given access to KIT's eLearning and webinar training to supplement their training and assist with further program application.

The five organizations selected were: Imagination Stage, Bethesda, MD; The After-School Corporation (TASC), New York, NY; Bernalillo Parks and Recreation, Albuquerque, NM; Metropolitan Family Services, Portland, OR; and Lee's Summit Kids Country, Lee's Summit, MO. Representatives from the organizations co-presented the Inclusion Institutes held in each of their communities. Through KIT's new accreditation with the International Association on Continuing Education and Training (IACET), Continuing Education Units (CEUs) were offered to all participants attending the Inclusion Institutes as well as those who completed the bi-monthly webinars and *Opening Doors to Inclusion* eLearning series.

National Training Center on Inclusion

In 2007, KIT created the National Training Center on Inclusion (NTCI) as the formal home of the training function and now provides live training, eLearning and a variety of learner support and technical assistance throughout the United States and on military installations worldwide.

The NTCI offers eLearning, a resource library, live training, technical assistance, phone and in-person coaching, and training materials to out-of-school time providers interested in learning more about inclusion. The professional development programs of the NTCI provide services to an increasing number of youth and child development providers in San Diego, as well as those across the nation and around the world.

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization and Nature Activities (Continued)

National Training Center on Inclusion (Continued)

Over the past year, 14,434 people attended one of the live webinar or in-person training sessions sponsored by the NTCI.

KIT Partners with the Department of Defense Child, Youth and Teen Programs

KIT provides live and on-line training, consultations, site visits, phone coaching and technical support to the Department of Defense Army, Navy, Air Force and Marine Corps Child, Youth and Teen Programs. During fiscal year 2010 - 2011, KIT provided training and consultation support to all Army, Navy, Air Force and Marine Corps Child, Youth and Teen Programs on the topic of inclusion for children with disabilities in Child Development Centers, Family Child Care Homes, and School Age, Youth and Teen Programs. Key features include access to self-paced online eLearning modules for all staff; development and presentation of webinars, revision of existing operational documents related to children with special needs, live training through conference presentations and site visits, and the hosting of a toll free calling and email support center to answer specific questions related to the inclusion of children with disabilities within the Department of Defense Child, Youth and Teen programs.

Significant Accounting Policies

Method of Accounting

The financial statements of KIT have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the financial position and results of operations.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements

The Corporation has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value. KIT had no financial instruments at June 30, 2011 and 2010.

Allowance for Doubtful Accounts

Management believes that all accounts receivable, and grants and contracts receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2011 and 2010.

Contributions

Contributions are recognized when the donor makes a promise to give to KIT that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Capitalization and Depreciation

Property, furniture and equipment are recorded at cost. Donations of property, furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, KIT reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. KIT reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property, furniture and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Leasehold improvements	15 - 22 years
Equipment	3 - 7 years
Furniture	5 years

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capitalization and Depreciation (Continued)

Depreciation aggregated \$35,624 and \$38,699 for the years ended June 30, 2011 and 2010, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property, furniture and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

Compensated Absences

Accumulated unpaid vacation totaling \$17,633 and \$21,623 at June 30, 2011 and 2010, respectively is accrued when incurred and included in accrued expenses.

Donated Services

KIT utilizes the services of many volunteers throughout the year. Approximately 988 volunteer hours were donated to KIT in the areas of special events, board committee work, student summer internship, grant research, accounting, and general office work. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2011 and 2010, did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by KIT's management.

Income Taxes

KIT is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. KIT is not a private foundation.

KIT uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

Concentration of Credit Risk

KIT maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. KIT has not experienced any losses in such accounts. KIT believes it is not exposed to any significant credit risk on cash and cash equivalents.

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, KIT considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Summarized Comparative Information for June 30, 2010

The financial statements include certain prior year summarized comparative information in total but not by net asset class. This summarized information is for comparative purposes only, and accordingly, such information should be read in conjunction with the KIT's financial statements for the year ended June 30, 2010, from which the summarized comparative information was derived.

Subsequent Events

In preparing these financial statements, KIT has evaluated events and transactions for potential recognition or disclosure through September 21, 2011, the date the financial statements were available to be issued.

Note 2 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Commander Navy Installations Command	\$ 232,454	\$ 21,778
Mitsubishi Electric America Foundation	-	12,673
Total Grants and Contracts Receivable	<u>\$ 232,454</u>	<u>\$ 34,451</u>

Note 3 - Property, Furniture and Equipment:

Property, furniture, and equipment consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 119,419	\$ 119,419
Equipment	171,319	139,579
Furniture	5,170	5,170
Subtotal	<u>295,908</u>	<u>264,168</u>
Less: Accumulated depreciation	(155,290)	(119,666)
Property, Furniture and Equipment, Net	<u>\$ 140,618</u>	<u>\$ 144,502</u>

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

Note 4 - Lines-of-Credit:

KIT has a line-of-credit with Mutual of Omaha Bank in the amount of \$100,000 at an interest rate of the bank's prime rate plus 2.0% (5.25% at June 30, 2011), but not less than 6%. The line-of-credit is renewable on December 28, 2011 and is secured by all assets of KIT. There was no outstanding balance on the line-of-credit at June 30, 2011 and 2010.

KIT had a line-of-credit with Wells Fargo in the amount of \$50,000 at an interest rate of 11.50%, which closed on May 2, 2011. There was no outstanding balance on the line-of-credit at June 30, 2011 and 2010.

Note 5 - Special Events:

On November 6, 2010, "Over the Edge for KIT" was held. Participants rappelled from the 33rd story of the Manchester Grant Hyatt to fundraise for KIT. From September 29th through October 1st, 2010, KIT held the 6th Annual National Conference on Inclusion. Nearly 200 people attended the conference featuring 23 sessions on innovative strategies for including all children in out of school time programs.

KIT held two special events during the year ended June 30, 2010. On October 17, 2009 "Over the Edge for KIT" was held. Participants rappelled from the 33rd story of the Manchester Grant Hyatt to fundraise for KIT. On the evening of October 16, 2009, a benefit concert was held at the Birch North Park Theatre featuring Justin Hines, singer-songwriter.

The following is a summary of special events for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Admission	\$ 35,964	\$ -
Program advertising	-	-
Auction/drawing, net	2,556	590
Sponsorship and donations	<u>86,361</u>	<u>66,884</u>
Special Events Income	124,881	67,474
Less: Expenses	<u>(65,919)</u>	<u>(43,668)</u>
Special Events Income, Net	<u>\$ 58,962</u>	<u>\$ 23,806</u>

Note 6 - Commitments:

Pension Plan

KIT has established a Simple IRA for employees. The plan provides for a contribution for each eligible employee of 2% of the employee's annual compensation. Contributions totaled \$10,019 and \$7,399 for the years ended June 30, 2011 and 2010, respectively, and are included in employer payroll taxes and benefits in the Statement of Functional Expenses.

KIDS INCLUDED TOGETHER - SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

Note 6 - Commitments: (Continued)

Operating Lease

KIT entered into an operating lease for office facilities effective February 1, 2007, which expired January 31, 2010. KIT extended the operating lease effective January 31, 2010, which expires on January 29, 2013, but allows KIT to terminate the lease at any time and for any reason by providing no less than ninety (90) days prior written notice. Rent expense totaled \$45,069 and \$29,231 for the years ended June 30, 2011 and 2010, respectively.

License Agreement

KIT entered into a license agreement on February 18, 2011 with GeoLearning Inc. to receive on demand software services to support their eLearning self-paced modules. The three year license agreement requires a \$70,000 annual service fee payable quarterly and expires on February 17, 2014. License fees totaled \$40,750 for the year ended June 30, 2011, which are included in training materials expense in the Statement of Functional Expenses.