Kids Included Together®

FINANCIAL STATEMENTS

JUNE 30, 2014

Leaf & Cole, LLP
Certified Public Accountants

KIDS INCLUDED TOGETHER
FINANCIAL STATEMENTS
JUNE 30, 2014

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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, California

Report on the Financial Statements

We have audited the accompanying financial statements of Kids Included Together, which comprise the statement of financial position as of June 30, 2014, and 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.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Included Together as of June 30, 2014, 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 Kids Included Together's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
November 4, 2014

KIDS INCLUDED TOGETHER
STATEMENT OF FINANCIAL POSIITON
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

ASSETS

	2014	2013
Current Assets: (Notes 1, 2 and 3)		
Cash and cash equivalents	$ 521,661	$ 612,769
Grants and contracts receivable	356,972	278,030
Contributions receivable	4,250	-
Prepaid expenses and deposits	30,522	20,968
Total Current Assets	913,405	911,767
Noncurrent Assets: (Notes 1 and 4)		
Property, furniture and equipment, net	161,143	108,065
Total Noncurrent Assets	161,143	108,065
TOTAL ASSETS	$ 1,074,548	$ 1,019,832

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities: (Note 1)		
Accounts payable	$ 46,952	$ 49,595
Accrued expenses	48,357	46,863
Total Current Liabilities	95,309	96,458
Total Liabilities	95,309	96,458
Commitments (Notes 5 and 8)		
Net Assets: (Notes 1 and 6)		
Unrestricted	979,239	909,549
Temporarily restricted	-	13,825
Total Net Assets	979,239	923,374
TOTAL LIABILITIES AND NET ASSETS	$ 1,074,548	$ 1,019,832

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

KIDS INCLUDED TOGETHER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014			
	Unrestricted	Temporarily Restricted	Total	2013
Support and Revenue:				
Training revenue	$ 1,662,232	$ -	$ 1,662,232	$ 1,596,591
Contributions	315,405	-	315,405	206,168
Interest income	860	-	860	1,250
Special events	-	-	-	161,382
Net assets released from restrictions	13,825	(13,825)	-	-
Total Support and Revenue	1,992,322	(13,825)	1,978,497	1,965,391
Expenses:				
Program Services:				
NTCI	1,308,698	-	1,308,698	1,221,061
Affiliates	156,701	-	156,701	203,606
LEED	96,216	-	96,216	-
Washington D.C. Office	56,997	-	56,997	27,776
Total Program Services	1,618,612	-	1,618,612	1,452,443
Supporting Services:				
Management and general	149,079	-	149,079	137,952
Fundraising	154,941	-	154,941	139,708
Total Supporting Services	304,020	-	304,020	277,660
Special Events	-	-	-	112,354
Total Expenses	1,922,632	-	1,922,632	1,842,457
Change in Net Assets	69,690	(13,825)	55,865	122,934
Net Assets at Beginning of Year	909,549	13,825	923,374	800,440
NET ASSETS AT END OF YEAR	$ 979,239	$ -	$ 979,239	$ 923,374

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

KIDS INCLUDED TOGETHER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Program Services					Supporting Services				
	LEED	NTCI	Affiliates	Washington DC Office	Total Program Services	Management and General	Fundraising	Total Supporting Services	2014 Total	2013 Total
Salaries and Related Expenses:										
Salaries and wages	$ 63,245	$ 632,777	$ 87,005	$ 28,087	$ 811,114	$ 70,785	$ 107,796	$ 178,581	$ 989,695	$ 828,413
Employer payroll taxes and benefits	5,028	123,708	22,014	5,667	156,417	13,352	22,626	35,978	192,395	171,546
Total Salaries and Related Expenses	68,273	756,485	109,019	33,754	967,531	84,137	130,422	214,559	1,182,090	999,959
Nonsalary Related Expenses:										
Consultants	18,940	171,578	7,323	-	197,841	20,819	-	20,819	218,660	165,848
Travel expense	6,671	157,385	2,182	10,491	176,729	511	726	1,237	177,966	163,446
Training materials expense	59	65,953	5,299	-	71,311	1,237	21	1,258	72,569	118,381
Rent expense	-	33,792	8,863	10,980	53,635	8,863	3,878	12,741	66,376	60,539
Printing and reproduction	-	29,008	4,736	-	33,744	1,160	664	1,824	35,568	27,947
Computer expense	1,821	20,257	2,497	-	24,575	2,059	2,804	4,863	29,438	17,426
Depreciation	-	15,648	4,104	-	19,752	4,104	1,796	5,900	25,652	24,461
Promotions/marketing	-	12,232	582	-	12,814	30	5,306	5,336	18,150	39,953
Insurance	179	8,728	2,413	-	11,320	1,955	1,304	3,259	14,579	12,105
Telephone	-	8,253	2,060	-	10,313	2,049	1,189	3,238	13,551	13,447
Utilities	-	7,927	2,079	-	10,006	2,079	910	2,989	12,995	9,768
Office supplies	-	4,207	813	11	5,031	2,768	449	3,217	8,248	9,806
Financial services	-	4,865	1,276	-	6,141	1,485	558	2,043	8,184	8,023
Loss on disposal of property, furniture and equipment	-	-	-	-	-	6,419	-	6,419	6,419	1,424
Postage and delivery	129	2,863	886	-	3,878	909	1,218	2,127	6,005	3,460
Meeting expense	85	1,417	-	82	1,584	3,463	540	4,003	5,587	7,995
Dues and subscriptions	-	1,304	-	1,500	2,804	608	1,746	2,354	5,158	3,373
Staff development	59	5,571	135	179	5,944	(1,080)	170	(910)	5,034	29,265
Mileage	-	852	1,966	-	2,818	636	700	1,336	4,154	4,022
BOD/Volunteer expenses	-	127	468	-	595	2,302	540	2,842	3,437	6,727
Repairs and maintenance	-	-	-	-	-	1,742	-	1,742	1,742	1,358
Merchant service fees	-	246	-	-	246	817	-	817	1,063	1,329
Interest	-	-	-	-	-	7	-	7	7	41
Event costs	-	-	-	-	-	-	-	-	-	112,354
Total Nonsalary Related Expenses	27,943	552,213	47,682	23,243	651,081	64,942	24,519	89,461	740,542	842,498
TOTAL EXPENSES	$ 96,216	$ 1,308,698	$ 156,701	$ 56,997	$ 1,618,612	$ 149,079	$ 154,941	$ 304,020	$ 1,922,632	$ 1,842,457

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

KIDS INCLUDED TOGETHER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	$ 55,865	$ 122,934
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	25,652	24,461
Loss on disposal of property, furniture and equipment	6,419	1,424
(Increase) Decrease in:		
Grants and contracts receivable	(78,942)	(58,879)
Contributions receivable	(4,250)	-
Prepaid expenses and deposits	(9,554)	10,589
Increase (Decrease) in:		
Accounts payable	(2,643)	(16,507)
Accrued expenses	1,494	(32,173)
Deferred revenue	-	(35,424)
Net Cash (Used in) Provided by Operating Activities	(5,959)	16,425
Cash Flows From Investing Activities:		
Purchase of property, furniture and equipment	(85,549)	(11,415)
Proceeds from sale of property, furniture and equipment	400	-
Net Cash Used in Investing Activities	(85,149)	(11,415)
Net (Decrease) Increase in Cash and Cash Equivalents	(91,108)	5,010
Cash and Cash Equivalents at Beginning of Year	612,769	607,759
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 521,661	$ 612,769

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

Note 1 - Organization and Significant Accounting Policies:

Organization and Significant Accounting Policies

Kids Included Together (formerly Kids Included Together - San Diego, Inc.) ("KIT") is a 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 Affiliates

During the year ended June 30, 2014, KIT provided live training and coaching on the best practices of inclusion and technical assistance through a call center, to 68 San Diego and nine national affiliate organizations representing over 374 recreation, enrichment and child and youth development site locations. In addition to live support, KIT provided its affiliates with a state-of-the-art online learning center that includes eLearning modules, instructional videos, downloadable resources and bi-monthly webinars. 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; scouting; and other enrichment organizations. In fiscal year 2013-2014 KIT supported affiliate organizations that serve more than 52,000 children. About 12% of the children that KIT affiliate programs served are reported to have a mild or moderate disability or special need and about .5% are reported to have a significant disability or special need.

In June 2014, KIT absorbed Los Angeles based affiliate All Kids, Inc. (AKI). AKI dissolved its not for profit status and contributed its remaining cash of $9,588 to KIT which has been included in contributions in the statement of activities. The organization had no other assets or liabilities. The sole staff member of AKI has also been absorbed as a training consultant. AKI's Board of Directors will serve as an advisory committee for KIT.

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. Since inception, KIT has presented live training in 45 states and 11 countries. KIT expanded its affiliate program to serve organizations around the United States. New affiliates were served in Orange County, CA; Danville, CA; and in Oregon, North Carolina and Washington, DC. KIT also provided training events for child and youth development programs in Nevada, Kansas, Massachusetts, Indiana and Illinois. Since 2010, KIT has been an authorized provider of the International Association for Continuing Education & Training and as such offers its live and online learners continuing education units (CEU).

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

Organization and Nature of Activities (Continued)

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

KIT provides live and on-line training, consultations, site visits, toll-free support center and technical assistance to the Department of Defense Army, Navy, Air Force and Marine Corps Child, Youth and Teen Programs. During the year ended June 30, 2014, KIT provided training and consultation support to 245 installations worldwide on the topic of inclusion for children with disabilities in child development centers, family child care homes, and school age, youth and teen programs.

KIT Opens Office in Washington, D.C.

In 2012, KIT's 15th anniversary year, the board and staff spent six months creating a three-year strategic plan designed to scale KIT's impact beyond San Diego and into communities around the United States. One of the strategic objectives was to open a satellite office in Washington, DC housed with like-minded organizations in the National Youth Transitions Center. In January 2013 the office was opened. A physical presence in Washington, DC gives KIT a two-fold benefit, the first being the opportunity to serve high-need child and youth organizations in our nation's capital and the second being the national platform that is gained from close proximity with government agencies, politicians and other national organizations. During the year ended June 30, 2014 KIT provided training on inclusion to the Girl Scouts of the Nation's Capital, The Washington Center and the DC Child and Youth Investment Trust Corporation. KIT also worked with the U.S. Department of Health & Human Services, Administration for Children and Families and presented at the State and Territory Administrator's Conference on the need for inclusive child care.

Leed

In October 2013 KIT began to support the US Department of Education and their federally-funded 21st Century Community Learning Centers, through a partnership with Leed Management Services, Inc. KIT is providing subject matter expertise on the inclusion of students with disabilities in before and after school programs in a three-year project.

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.

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

Significant Accounting Policies (Continued)

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.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of KIT and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by KIT. The income from these assets is available for either general operations or specific programs as specified by the donor.

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 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.

Fair Value Measurements

Fair value accounting 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). KIT had no financial instruments at June 30, 2014 and 2013.

Allowance for Doubtful Accounts

Management believes that all grants and contracts were fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2014 and 2013.

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

Significant Accounting Policies (Continued)

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

KIT capitalizes all expenditures in excess of $1,000 for property, furniture and equipment at cost, while donations of property, furniture and equipment are recorded at their estimated fair values. 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

Depreciation totaled $25,652 and $24,461 for the years ended June 30, 2014 and 2013, 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 $21,537 and $32,781 at June 30, 2014 and 2013, respectively is accrued when incurred and included in accrued expenses.

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

Significant Accounting Policies (Continued)

Donated Services

KIT utilizes the services of many volunteers throughout the year. Approximately 1,340 volunteer hours were donated to KIT in the areas of events, board committee work, grant research 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, 2014 and 2013, 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 nonprofit 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 believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. KIT is not a private foundation.

KIT's Return of Organization Exempt from Income Tax for the years ended June 30, 2014, 2013, 2012, and 2011 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns are filed.

Concentrations

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.

Revenue

KIT has a contract with the Department of Defense and is currently exercising Option Year three (3) of five (5) under the contract. The final option year concludes November 3, 2015. Revenue generated from this contract represented approximately 74% and 80% of total support and revenue for the years ended June 30, 2014 and 2013, respectively.

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, 2013

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, 2013, 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 November 4, 2014, 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:

	2014	2013
Commander Navy Installations Command	$ 316,259	$ 278,030
Leed	40,713	-
Total Grants and Contracts Receivable	$ 356,972	$ 278,030

Note 3 – Contribution Receivable:

Contribution receivable totaling $4,250 and $-0- at June 30, 2014 and 2013, respectively, are due within one year.

Note 4 - Property, Furniture and Equipment:

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

	2014	2013
Equipment	$ 180,133	$ 181,836
Leasehold improvements	146,983	119,419
Furniture	50,408	7,301
Subtotal	377,524	308,556
Less: Accumulated depreciation	(216,381)	(200,491)
Property, Furniture and Equipment, Net	$ 161,143	$ 108,065

Note 5 - Line-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% (3.250% at June 30, 2014), but not less than 6%. The line-of-credit is renewable on December 28, 2014 and is secured by all assets of KIT. There was no outstanding balance on the line-of-credit at June 30, 2014 and 2013.

Note 6 - Temporarily Restricted Net Assets:

Net assets totaling $13,825 were released from donor restrictions due to the satisfaction of purpose or time restrictions during the year ended June 30, 2014.

Note 7 - Special Events:

On August 18, 2012, "Over the Edge for KIT" was held. Participants rappelled from the 33rd story of the Manchester Grand Hyatt to fundraise for KIT. From March 13th through March 15th, 2013, KIT held the 8th Annual National Conference on Inclusion. Two hundred and four people attended the conference featuring 23 sessions on innovative strategies for including all children in out of school time programs.

No special events were held during the year ended June 30, 2014.

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

	2014	2013
Sponsorship and donations	$ -	$ 109,486
Admission	-	48,670
Auction/drawing, net	-	3,226
Special Events Income	-	161,382
Less: Expenses	-	(112,354)
Special Events Income, Net	$ -	$ 49,028

Note 8 - Commitments:

Pension Plan

KIT has established a Simple IRA for employees. The plan was amended as of January 1, 2013 to provide a 3% employer match for all participating employees. Prior to the amendment, the plan provided an employer contribution for each eligible employee 2% of the employee's annual compensation. Employer contributions totaled $22,095 and $16,577 for the years ended June 30, 2014 and 2013, respectively, and are included in employer payroll taxes and benefits in the statement of functional expenses.

Note 8 - Commitments: (Continued)

Operating Leases

KIT leases office facilities in San Diego which expires January 29, 2018. KIT leases office facilities in Washington, D.C. which expires on December 31, 2014. Rent expense totaled $66,376 and $60,539 for the years ended June 30, 2014 and 2013, respectively and is included in rent in the statement of functional expenses.

The following is a schedule of future lease payments under the leases:

Years Ended June 30	
2015	$ 60,043
2016	56,044
2017	57,660
2018	34,185
	$ 207,932

License Agreement

KIT entered into a license agreement on February 18, 2011 with Sum Total (formerly known as 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 expired on February 17, 2014. On January 23, 2014, KIT entered into a one year license agreement with the software company EduBrite to host their eLearning programs. The one year contract requires minimum annual payments totaling $29,990. License fees totaled $54,748 and $74,250 for the years ended June 30, 2014 and 2013, respectively, which are included in training materials expense in the statement of functional expenses.