



FINANCIAL STATEMENTS

JUNE 30, 2015



Leaf & Cole, LLP
Certified Public Accountants

**KIDS INCLUDED TOGETHER
FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Independent Auditor's Report

To the Board of Directors
Kids Included Together

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, 2015, 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.

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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
December 16, 2015

KIDS INCLUDED TOGETHER
STATEMENT OF FINANCIAL POSIITON
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current Assets:</u> (Notes 1, 3 and 4)		
Cash and cash equivalents	\$ 740,451	\$ 521,661
Contracts and other receivables	498,618	356,972
Contributions receivable	1,500	4,250
Prepaid expenses and deposits	39,472	30,522
Total Current Assets	<u>1,280,041</u>	<u>913,405</u>
<u>Noncurrent Assets:</u> (Notes 1, 2, 5, and 6)		
Property, furniture and equipment, net	153,248	161,143
Intangible asset	19,700	-
Cash and cash equivalents - Endowment	3,000	-
Beneficial interest in endowment funds	10,000	-
Total Noncurrent Assets	<u>185,948</u>	<u>161,143</u>
TOTAL ASSETS	<u>\$ 1,465,989</u>	<u>\$ 1,074,548</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Note 1)		
Accounts payable	\$ 90,979	\$ 46,952
Accrued expenses	127,369	48,357
Total Current Liabilities	<u>218,348</u>	<u>95,309</u>
Total Liabilities	<u>218,348</u>	<u>95,309</u>
<u>Commitments and Contingency</u> (Notes 7 and 9)		
<u>Net Assets:</u> (Notes 1 and 8)		
Unrestricted	1,234,641	979,239
Permanently restricted	13,000	-
Total Net Assets	<u>1,247,641</u>	<u>979,239</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,465,989</u>	<u>\$ 1,074,548</u>

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

**KIDS INCLUDED TOGETHER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)**

	2015			<u>2014</u>
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
<u>Support and Revenue:</u>				
Training revenue	\$ 2,153,117	\$ -	\$ 2,153,117	\$ 1,662,232
Contributions	261,818	3,000	264,818	315,405
In-kind contributions	5,240	-	5,240	-
Other income	1,200	-	1,200	-
Interest income	647	-	647	860
Total Support and Revenue	<u>2,422,022</u>	<u>3,000</u>	<u>2,425,022</u>	<u>1,978,497</u>
<u>Expenses:</u>				
Program Services:				
NTCI	1,347,702	-	1,347,702	1,308,698
LEED	197,065	-	197,065	96,216
Affiliates	185,397	-	185,397	156,701
Public Awareness	69,964	-	69,964	56,997
Total Program Services	<u>1,800,128</u>	<u>-</u>	<u>1,800,128</u>	<u>1,618,612</u>
Supporting Services:				
Management and general	253,276	-	253,276	149,079
Fundraising	103,216	-	103,216	154,941
Total Supporting Services	<u>356,492</u>	<u>-</u>	<u>356,492</u>	<u>304,020</u>
Total Expenses	<u>2,156,620</u>	<u>-</u>	<u>2,156,620</u>	<u>1,922,632</u>
Change in Net Assets	265,402	3,000	268,402	55,865
Net Assets at Beginning of Year	979,239	-	979,239	923,374
Transfer of Net Assets (Note 7)	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,234,641</u></u>	<u><u>\$ 13,000</u></u>	<u><u>\$ 1,247,641</u></u>	<u><u>\$ 979,239</u></u>

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

KIDS INCLUDED TOGETHER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Program Services				Supporting Services				2015 Total	2014 Total
	LEED	NTCI	Affiliates	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and Related Expenses:										
Salaries and wages	\$ 129,799	\$ 624,676	\$ 91,607	\$ 44,039	\$ 890,121	\$ 138,294	\$ 65,386	\$ 203,680	\$ 1,093,801	\$ 989,695
Employer payroll taxes and benefits	12,675	124,851	24,302	5,616	167,444	27,915	16,560	44,475	211,919	192,395
Total Salaries and Related Expenses	<u>142,474</u>	<u>749,527</u>	<u>115,909</u>	<u>49,655</u>	<u>1,057,565</u>	<u>166,209</u>	<u>81,946</u>	<u>248,155</u>	<u>1,305,720</u>	<u>1,182,090</u>
Nonsalary Related Expenses:										
Consultants	33,764	198,041	26,871	320	258,996	18,892	1,293	20,185	279,181	218,660
Travel expense	15,476	185,448	9,535	5,901	216,360	4,827	951	5,778	222,138	177,966
Rent expense	-	41,191	5,566	-	46,757	17,026	4,454	21,480	68,237	66,376
Computer expense	421	52,394	3,181	3,744	59,740	6,660	1,583	8,243	67,983	29,438
Printing and reproduction	88	19,691	1,347	4,128	25,254	2,744	1,890	4,634	29,888	35,568
Depreciation	-	18,341	3,727	-	22,068	4,034	2,208	6,242	28,310	25,652
Telephone	1,106	16,235	4,746	68	22,155	3,924	1,363	5,287	27,442	13,551
Promotions/marketing	900	13,475	900	4,346	19,621	3,086	60	3,146	22,767	18,150
Staff development	1,850	5,869	2,415	1,179	11,313	4,178	280	4,458	15,771	5,034
Office supplies	79	7,900	1,383	-	9,362	5,081	670	5,751	15,113	8,248
Insurance	277	8,908	2,173	-	11,358	2,254	1,247	3,501	14,859	14,579
Utilities	-	9,375	1,267	-	10,642	1,042	1,013	2,055	12,697	12,995
Training materials expense	153	8,430	2,298	-	10,881	197	-	197	11,078	72,569
Meeting expense	145	1,642	195	121	2,103	6,339	158	6,497	8,600	5,587
Dues and subscriptions	-	4,509	-	20	4,529	1,230	2,433	3,663	8,192	5,158
Merchant service fees	-	3,473	458	385	4,316	1,417	433	1,850	6,166	1,063
Repairs and maintenance	-	359	49	-	408	3,915	39	3,954	4,362	1,742
Postage and delivery	289	1,961	725	97	3,072	(127)	1,155	1,028	4,100	6,005
Mileage	43	933	2,652	-	3,628	348	40	388	4,016	4,154
Financial services	-	-	-	-	-	-	-	-	-	8,184
Loss on disposal of property, furniture and equipment	-	-	-	-	-	-	-	-	-	6,419
BOD/Volunteer expenses	-	-	-	-	-	-	-	-	-	3,437
Interest	-	-	-	-	-	-	-	-	-	7
Total Nonsalary Related Expenses	<u>54,591</u>	<u>598,175</u>	<u>69,488</u>	<u>20,309</u>	<u>742,563</u>	<u>87,067</u>	<u>21,270</u>	<u>108,337</u>	<u>850,900</u>	<u>740,542</u>
TOTAL EXPENSES	<u>\$ 197,065</u>	<u>\$ 1,347,702</u>	<u>\$ 185,397</u>	<u>\$ 69,964</u>	<u>\$ 1,800,128</u>	<u>\$ 253,276</u>	<u>\$ 103,216</u>	<u>\$ 356,492</u>	<u>\$ 2,156,620</u>	<u>\$ 1,922,632</u>

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

**KIDS INCLUDED TOGETHER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)**

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 268,402	\$ 55,865
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,310	25,652
Permanently restricted contributions	(3,000)	-
Loss on disposal of property, furniture and equipment	-	6,419
(Increase) Decrease in:		
Contracts and other receivables	(141,646)	(78,942)
Contributions receivable	2,750	(4,250)
Prepaid expenses and deposits	(8,950)	(9,544)
Increase (Decrease) in:		
Accounts payable	44,027	(2,643)
Accrued expenses	79,012	1,494
Net Cash Provided by (Used in) Operating Activities	<u>268,905</u>	<u>(5,949)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property, furniture and equipment	(20,415)	(85,549)
Purchase of intangible asset	(19,700)	-
Proceeds from sale of property, furniture, and equipment	-	400
Beneficial interest in endowment funds	(10,000)	-
Net Cash Used in Investing Activities	<u>(50,115)</u>	<u>(85,149)</u>
<u>Cash Flows From Financing Activities:</u>		
Permanently restricted contributions	<u>3,000</u>	-
Net Cash Provided by Financing Activities	<u>3,000</u>	-
Net Increase (Decrease) in Cash and Cash Equivalents	221,790	(91,098)
Cash and Cash Equivalents at Beginning of Year	<u>521,661</u>	<u>612,769</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 743,451</u>	<u>\$ 521,671</u>

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

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

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 teach inclusive practices to people and organizations who serve children. KIT’s goals are to 1) change attitudes towards disability; and 2) provide the knowledge, tools and resources needed to create inclusive communities.

The following is a brief description of KIT’s professional development and training programs:

KIT Affiliates

KIT’s Affiliates are child and youth development organizations committed to serving children with diverse abilities. KIT provides affiliates with training and technical assistance in a blended learning model, using best-in-class in-person training, a sophisticated online learning center, and a call-in support center. During the year ended June 30, 2015, KIT served affiliate programs in 220 locations in the United States and 49 internationally. Programs included YMCAs, Boys and Girls Clubs, 4-H, Girl Scouts, 21st Century Community Learning Centers and United States military child and youth programs around the world.

In addition to affiliate training, KIT offers one-time events all over the United States, and free community trainings in San Diego that are live streamed over the Internet. In FY 2014-2015 KIT provided in-person training for the American Association of University Women in California, the Farm Institute in Massachusetts, Cabrillo Marine Aquarium in California, Child Care Aware of America, city governments, school districts and many others. KIT’s free community trainings offer topics like Behavior Support Techniques, Yoga in Youth Programs, and Supporting Social-Emotional Needs.

KIT also spreads the message of inclusion at professional conferences in a variety of child-related industries. In FY 2014-2015 conference presentations included BOOST (Best-of-Out-of-School Time), American Association of Therapeutic Recreation, American Camping Association, Association of Children’s Museums, Frank Porter Graham Child Development Institute, National Afterschool Association and LEAD (Leadership Exchange in Arts and Disability) at the Kennedy Center.

Department of Defense Child, Youth and Teen Programs

KIT provides live and on-line training, consultations, site visits, live support and technical assistance to the Child, Youth and Teen Programs operated by the Department of Defense Army, Navy, Air Force and Marine Corps. During the year ended June 30, 2015, KIT provided training and consultation to 245 personnel at installations worldwide, on the topic of inclusion for children with disabilities in child care centers, family child care homes and school age, youth and teen programs.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

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

Organization and Nature of Activities (Continued)

21st Century Community Learning Centers

KIT supports the United States Department of Education and their federally funded 21st Century Community Learning Centers through a partnership with Leed Management Services, Inc. KIT completed the second of 3 years, providing subject matter expertise on the inclusion of students with disabilities in before and after school programs.

Commitment to Research & Evaluation

In FY 2014-2015 KIT began a partnership with Ashford University, with a goal of conducting an evaluation of affiliate programs. Programs in San Diego, California, Eugene, Oregon, Raleigh, North Carolina and Washington, DC are participating in the evaluation project, which is measuring attitudes and perceptions of inclusion, and KIT's impact on affiliates. KIT participated in the development of the United States Department of Health & Human Services and the United States Department of Education's joint policy brief on Inclusion in High-Quality Early Childhood programs in the winter/spring of 2015, contributing research, recommendations, and document review.

Recognition

In January 2015, KIT's Board of Directors was presented with the Kaleidoscope Award for Exceptional Board Governance, by the University of San Diego.

In April 2015, KIT was awarded special consultative status to the Economic and Social Council of the United Nations.

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.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

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.

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

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.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

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

Significant Accounting Policies (Continued)

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).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

KIT's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Beneficial interests in endowment funds held at Jewish Community Foundation are considered Level 3 assets which represent an approximation of the discounted future cash flow based on the fair value of the underlying assets.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all contributions, contracts and other receivables were fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2015 and 2014.

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.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

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

Significant Accounting Policies (Continued)

Capitalization and Depreciation (Continued)

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

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

Depreciation totaled \$28,310 and \$25,652 for the years ended June 30, 2015 and 2014, 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.

Intangible Asset

KIT has registered its domain name. The costs of the registration of the domain name have been capitalized and recorded as an intangible asset totaling \$19,700 and \$-0- at June 30, 2015 and 2014, respectively.

Compensated Absences

Accumulated unpaid vacation totaling \$25,709 and \$21,537 at June 30, 2015 and 2014, respectively is accrued when incurred and included in accrued expenses.

Revenue Recognition

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.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

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, 2015 and 2014, did not meet the requirements above, therefore no amounts were recognized in the financial statements.

In-kind contributions of legal services used for program services with an estimated fair value totaling \$5,240 and \$-0- for the years ended June 30, 2015 and 2014, respectively, are included in in-kind contributions and program expenses in the statement of activities.

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, 2015, 2014, 2013, and 2012 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 through November 3, 2015. Revenue generated from this contract represented approximately 72% and 74% of total support and revenue for the years ended June 30, 2015 and 2014, respectively.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

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 highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Summarized Comparative Information for June 30, 2014

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, 2014, 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 December 16, 2015, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30, 2015:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2015
Beneficial interest in endowment funds (Note 6)	\$ -	\$ -	\$ 10,000	\$ 10,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in the Notes as indicated above.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

Note 3 – Contracts and Other Receivables:

Contracts and other receivables consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Commander Navy Installations Command	\$ 452,384	\$ 316,259
LEED	41,609	40,713
Other receivables	4,625	-
Total Contracts and Other Receivables	<u>\$ 498,618</u>	<u>\$ 356,972</u>

Note 4 – Contributions Receivable:

Contributions receivable totaling \$1,500 and \$4,250 at June 30, 2015 and 2014, respectively, are due within one year.

Note 5 - Property, Furniture and Equipment:

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

	<u>2015</u>	<u>2014</u>
Equipment	\$ 195,300	\$ 180,133
Leasehold improvements	146,983	146,983
Furniture	55,656	50,408
Subtotal	<u>397,939</u>	<u>377,524</u>
Less: Accumulated depreciation	<u>(244,691)</u>	<u>(216,381)</u>
Property, Furniture and Equipment, Net	<u>\$ 153,248</u>	<u>\$ 161,143</u>

Note 6 - Beneficial Interest in Endowment Funds:

In June 2015, KIT transferred \$10,000 to the Jewish Community Foundation to establish the Kids Included Together Endowment Fund. The beneficial interest in endowment funds held at Jewish Community Foundation is classified as permanently restricted for these investments and must be maintained in perpetuity. The funds held at Jewish Community Foundation are held in cash and totaled \$10,000 at June 30, 2015.

Note 7 - 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, 2015), but not less than 6.0%. The line-of-credit is renewable on December 28, 2015 and is secured by all assets of KIT. There was no outstanding balance on the line-of-credit at June 30, 2015 and 2014.

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Note 8 - Endowment Net Assets:

KIT's endowment funds are held by Jewish Community Foundation (the "Foundation") or in cash held by KIT until transferred to the Foundation. The Foundation manages the funds in accordance with UPMIFA. The Foundation's objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require KIT to retain as a fund of perpetual duration. KIT classifies permanently restricted net assets held by the Foundation as:

- The original value of gifts donated to the fund
- The original value of KIT funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

The Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Foundation's endowment funds are invested in a portfolio of equity and debt securities which is structured for long-term total return. The Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

Endowment composition by type of fund and changes in endowment net assets as of and for the year ended June 30, 2015:

	<u>Cash</u>	<u>Jewish Community Foundation</u>	<u>Total</u>
Endowment Net Assets at June 30, 2014	\$ -	\$ -	\$ -
Contributions	3,000	10,000	13,000
Investment income	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment Net Assets at June 30, 2015	<u>\$ 3,000</u>	<u>\$ 10,000</u>	<u>\$ 13,000</u>

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Note 9 – Commitments and Contingency:

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 of 2% of the employee's annual compensation. Employer contributions totaled \$24,066 and \$22,095 for the years ended June 30, 2015 and 2014, respectively, and are included in employer payroll taxes and benefits in the statement of functional expenses.

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, 2015. Rent expense totaled \$68,237 and \$66,376 for the years ended June 30, 2015 and 2014, respectively and is included in rent in the statement of functional expenses.

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

<u>Years Ended</u> <u>June 30</u>	
2016	\$ 92,978
2017	80,152
2018	<u>34,185</u>
	<u>\$ 207,315</u>

License Agreement

On January 23, 2014, KIT entered into a two year license agreement with the software company EduBrite to host their eLearning programs. The contract requires minimum annual payments totaling \$29,990. License fees totaled \$29,990 and \$54,748 for the years ended June 30, 2015 and 2014, respectively, which are included in computer expense in the statement of functional expenses.

Legal Matters

KIT is subject to claims that arise out of the normal course of business. KIT maintains insurance coverage and uses various risk management activities which, combined, management believes are sufficient to ensure that the final outcome of any claims or proceedings will not have an adverse material effect on the financial position, operations, or liquidity of KIT.