Kids Included Together®

FINANCIAL STATEMENTS

JUNE 30, 2016

Leaf & Cole, LLP
Certified Public Accountants

KIDS INCLUDED TOGETHER
FINANCIAL STATEMENTS
JUNE 30, 2016

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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, 2016, 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.

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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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
May 12, 2017

KIDS INCLUDED TOGETHER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

ASSETS

	2016	2015
Current Assets: (Notes 2, 4 and 5)		
Cash and cash equivalents	$ 826,061	$ 740,451
Contracts and other receivables	437,408	498,618
Contributions receivable	-	1,500
Prepaid expenses and deposits	52,491	39,472
Total Current Assets	1,315,960	1,280,041
Noncurrent Assets: (Notes 2, 3, 6, and 7)		
Property, furniture and equipment, net	133,844	153,248
Intangible assets	55,700	19,700
Cash and cash equivalents - Endowment	-	3,000
Beneficial interest in endowment funds	12,829	10,000
Total Noncurrent Assets	202,373	185,948
TOTAL ASSETS	$ 1,518,333	$ 1,465,989

LIABILITIES AND NET ASSETS

	2016	2015
Current Liabilities: (Note 2)		
Accounts payable	$ 41,654	$ 90,979
Accrued expenses	136,904	127,369
Deferred revenue	9,167	-
Total Current Liabilities	187,725	218,348
Total Liabilities	187,725	218,348
Commitments and Contingencies (Notes 8 and 10)		
Net Assets: (Notes 2 and 9)		
Unrestricted	1,317,779	1,234,641
Permanently restricted	12,829	13,000
Total Net Assets	1,330,608	1,247,641
TOTAL LIABILITIES AND NET ASSETS	$ 1,518,333	$ 1,465,989

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

KIDS INCLUDED TOGETHER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016			
	Unrestricted	Permanently Restricted	Total	2015 Total
Support and Revenue:				
Training revenue	$ 2,549,084	$ -	$ 2,549,084	$ 2,153,117
Contributions	167,572	-	167,572	264,818
Investment income (loss)	892	(171)	721	647
In-kind contributions	-	-	-	5,240
Other income	-	-	-	1,200
Total Support and Revenue	2,717,548	(171)	2,717,377	2,425,022
Expenses:				
Program Services:				
DOD	1,243,593	-	1,243,593	1,347,702
Public Awareness	444,387	-	444,387	69,964
Affiliates	214,161	-	214,161	185,397
Leed	199,746	-	199,746	197,065
Total Program Services	2,101,887	-	2,101,887	1,800,128
Supporting Services:				
Management and general	475,767	-	475,767	253,276
Fundraising	56,756	-	56,756	103,216
Total Supporting Services	532,523	-	532,523	356,492
Total Expenses	2,634,410	-	2,634,410	2,156,620
Change in Net Assets	83,138	(171)	82,967	268,402
Net Assets at Beginning of Year	1,234,641	13,000	1,247,641	979,239
NET ASSETS AT END OF YEAR	$ 1,317,779	$ 12,829	$ 1,330,608	$ 1,247,641

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

KIDS INCLUDED TOGETHER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Program Services					Supporting Services				
	Leed	DOD	Affiliates	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	2016 Total	2015 Total
Salaries and Related Expenses:										
Salaries and wages	$ 134,554	$ 624,448	$ 114,144	$ 340,295	$ 1,213,441	$ 211,150	$ 38,568	$ 249,718	$ 1,463,159	$ 1,093,801
Employer payroll taxes and benefits	14,193	118,642	20,902	57,091	210,828	55,623	8,032	63,655	274,483	211,919
Total Salaries and Related Expenses	148,747	743,090	135,046	397,386	1,424,269	266,773	46,600	313,373	1,737,642	1,305,720
Nonsalary Related Expenses:										
Travel expense	10,352	243,657	23,866	5,609	283,484	4,257	8,735	12,992	296,476	222,138
Consultants	16,314	140,097	25,009	1,815	183,235	18,063	-	18,063	201,298	279,181
Technology	12,101	20,607	12,580	2,032	47,320	28,523	-	28,523	75,843	67,983
Rent expense	-	-	-	-	-	70,917	-	70,917	70,917	68,237
Printing and reproduction	2,473	46,398	2,274	7,538	58,683	1,058	-	1,058	59,741	29,888
Promotions/marketing	-	-	2,753	24,508	27,261	580	106	686	27,947	22,767
Depreciation	2,596	19,207	2,076	-	23,879	2,077	-	2,077	25,956	28,310
Training materials expense	2,681	13,603	5,640	-	21,924	92	-	92	22,016	11,078
Telephone	102	1,296	142	38	1,578	18,478	25	18,503	20,081	27,442
Utilities	-	-	-	-	-	18,073	-	18,073	18,073	12,697
Insurance	-	-	-	-	-	17,560	-	17,560	17,560	14,859
Postage and delivery	540	10,934	1,210	2,951	15,635	1,364	22	1,386	17,021	4,100
Staff development	2,725	2,653	215	843	6,436	4,149	719	4,868	11,304	15,771
Office supplies	1,018	1,147	10	127	2,302	8,205	-	8,205	10,507	15,113
Meeting expense	97	902	918	1,245	3,162	6,167	220	6,387	9,549	8,600
Merchant service fees	-	2	87	-	89	6,680	170	6,850	6,939	6,166
Dues and subscriptions	-	-	2,335	295	2,630	1,816	159	1,975	4,605	8,192
Repairs and maintenance	-	-	-	-	-	935	-	935	935	4,362
Mileage	-	-	-	-	-	-	-	-	-	4,016
Total Nonsalary Related Expenses	50,999	500,503	79,115	47,001	677,618	208,994	10,156	219,150	896,768	850,900
TOTAL EXPENSES	$ 199,746	$ 1,243,593	$ 214,161	$ 444,387	$ 2,101,887	$ 475,767	$ 56,756	$ 532,523	$ 2,634,410	$ 2,156,620

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

KIDS INCLUDED TOGETHER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	$ 82,967	$ 268,402
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,956	28,310
Permanently restricted contributions	-	(3,000)
(Increase) Decrease in:		
Contracts and other receivables	61,210	(141,646)
Contributions receivable	1,500	2,750
Prepaid expenses and deposits	(13,019)	(8,950)
Increase (Decrease) in:		
Accounts payable	(49,325)	44,027
Accrued expenses	9,535	79,012
Deferred revenue	9,167	-
Net Cash Provided by Operating Activities	127,991	268,905
Cash Flows From Investing Activities:		
Purchase of property, furniture and equipment	(6,552)	(20,415)
Purchase of intangible asset	(36,000)	(19,700)
Beneficial interest in endowment funds	(2,829)	(10,000)
Net Cash Used in Investing Activities	(45,381)	(50,115)
Cash Flows From Financing Activities:		
Permanently restricted contributions	-	3,000
Net Cash Provided by Financing Activities	-	3,000
Net Increase in Cash and Cash Equivalents	82,610	221,790
Cash and Cash Equivalents at Beginning of Year	743,451	521,661
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 826,061	$ 743,451

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

Note 1 - Organization:

Kids Included Together ("KIT") is a 501 (c) (3) non-profit organization founded in San Diego, California in 1997. The vision of KIT is that every child with a disability has the opportunity to realize their full potential in a community that welcomes, accepts and supports them. 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 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, 2016, KIT served affiliate programs in 41 states and 9 countries. 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 and Washington, DC. In FY 2015-2016 KIT provided in-person training for the Oregon Department of Education, YMCA of the Triangle, North Carolina, Telamon Corporation in Tennessee, North Carolina and Delaware, ASAP Connect in California, the Farm Institute in Massachusetts, Girl Scouts of the Nation's Capital, Child Care Aware of America, the Maryland Disability Law Center, county offices of education, city governments, school districts and many others. Sixteen topics are offered, including Behavior Support Techniques, Supporting Social-Emotional Needs, Accommodations for Children with Autism, and Responding to Aggressive Behavior.

KIT also spreads the message of inclusion at professional conferences in a variety of child and disability-related industries. In FY 2015-2016 conference presentations included The Arc of Virginia, Oregon ASK Statewide Afterschool Network, Wisconsin Family Ties, PEAK Center Inclusive Education conference, the PEAL Center, Inclusion BC, NE Parent Center Association, Science for Societies, SXSWedu, National Academies of Sciences, Engineering and Medicine, National Inclusion Project, UNC Wilmington and Chapel Hill, Virginia Tech, and a special address at the United Nations on the occasion of World Down Syndrome Day.

Department of Defense Child, Youth and Teen Programs

KIT provides live and online 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, 2016, KIT provided training and consultation to personnel at 245 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.

Note 1 - Organization: (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. In June 2016 the project was nearly completed. Throughout the three-year project KIT provided subject matter expertise on the inclusion of students with disabilities in before and after school programs.

Note 2 - Significant Accounting Policies:

Accounting Method

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 (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

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.

Note 2 - Significant Accounting Policies: (Continued)

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).

- 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 is considered a Level 3 asset and is reported at the fair value of the underlying assets as reported by Jewish Community Foundation (Note 7).

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, 2016 and 2015.

Note 2 - Significant Accounting Policies: (Continued)

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:

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

Depreciation totaled $25,956 and $28,310 for the years ended June 30, 2016 and 2015, 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 Assets

KIT has registered a new domain name and created a new website. The costs of the registration of the domain name and website have been capitalized and recorded as intangible assets totaling $55,700 and $19,700 at June 30, 2016 and 2015, respectively. The website and domain name will be amortized on the straight-line method over the estimated useful life beginning when the website is completed in September 2016.

Compensated Absences

Accumulated unpaid vacation totaling $42,209 and $25,709 at June 30, 2016 and 2015, respectively is accrued when incurred and included in accrued expenses.

Revenue Recognition

Training revenue is recognized in the period in which the related work is performed in accordance with the terms of the contract. Contracts and other receivables are recorded when revenue earned under a contract exceeds the cash received. Deferred revenue is recorded when cash received under a contract exceeds the revenue earned. Deferred revenue totaled $9,167 and $-0- at June 30, 2016 and 2015, respectively.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

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.

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 board committee work, proofreading, and preparation of training materials. 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, 2016 and 2015, 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 $-0- and $5,240 for the years ended June 30, 2016 and 2015, 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, 2016, 2015, 2014, and 2013 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns are filed.

Note 2 - Significant Accounting Policies: (Continued)

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 30, 2016, with four one year purchase options through November 30, 2020. Revenue generated from this contract represented approximately 83% and 72% of total support and revenue for the years ended June 30, 2016 and 2015, respectively.

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, 2015

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, 2015, 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 May 12, 2017, the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements:

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

	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, 2016
Beneficial interest in endowment funds (Note 7)	$ -	$ -	$ 12,829	$ 12,829
	$ -	$ -	$ 12,829	$ 12,829

Note 3 - Fair Value Measurements: (Continued)

	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 7)	$ -	$ -	$ 10,000	$ 10,000
	$ -	$ -	$ 10,000	$ 10,000

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.

The following table represents KIT's Level 3 financial instruments, the valuation techniques used to measure the fair value of the financial instruments, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30:

2016

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 12,829	Valuation of underlying assets as provided by Jewish Community Foundation	Base Price	N/A

2015

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 10,000	Valuation of underlying assets as provided by Jewish Community Foundation	Base Price	N/A

Note 4 - Contracts and Other Receivables:

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

	2016	2015
Commander Navy Installations Command	$ 383,324	$ 452,384
Leed	40,017	41,609
Other receivables	14,067	4,625
Total Contracts and Other Receivables	$ 437,408	$ 498,618

Note 5 - Contributions Receivable:

Contributions receivable totaling $-0- and $1,500 at June 30, 2016 and 2015, respectively, are due within one year.

Note 6 - Property, Furniture and Equipment:

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

	2016	2015
Equipment	$ 201,852	$ 195,300
Leasehold improvements	146,983	146,983
Furniture	55,656	55,656
Subtotal	404,491	397,939
Less: Accumulated depreciation	(270,647)	(244,691)
Property, Furniture and Equipment, Net	$ 133,844	$ 153,248

Note 7 - Beneficial Interest in Endowment Funds:

KIT has a beneficial interest in endowment funds held at Jewish Community Foundation, which is classified as permanently restricted for these investments and must be maintained in perpetuity. The beneficial interest in endowment funds held at Jewish Community Foundation is invested in the Endowment Pool which invests 55% in domestic and international equities, 10% in fixed income, 30% in multi-strategy and 5% in real assets consisting of REITS and commodities.

The activity in beneficial interest in endowment funds held at Jewish Community Foundation consisted of the following for the years ended June 30:

	2016	2015
Balance at Beginning of Year	$ 10,000	$ -
Transfers	3,000	10,000
Investment loss	(171)	-
Balance at End of Year	$ 12,829	$ 10,000

Note 8 - 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, 2016), but not less than 6.0%. The line-of-credit is renewable on December 28, 2016 and is secured by all assets of KIT. There was no outstanding balance on the line-of-credit at June 30, 2016 and 2015.

Note 9 - Endowment Net Assets:

KIT has a beneficial interest in endowment funds that 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 years ended June 30:

	Cash	Jewish Community Foundation	Total
Endowment Net Assets at June 30, 2014	$ -	$ -	$ -
Contributions	3,000	10,000	13,000
Endowment Net Assets at June 30, 2015	3,000	10,000	13,000
Transfers	(3,000)	3,000	-
Investment loss	-	(171)	(171)
Endowment Net Assets at June 30, 2016	$ -	$ 12,829	$ 12,829

Note 10 - Commitments and Contingencies:

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 $27,234 and $24,066 for the years ended June 30, 2016 and 2015, 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, 2016. Rent expense totaled $70,917 and $68,237 for the years ended June 30, 2016 and 2015, 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	
2017	$ 87,376
2018	34,185
	$ 121,561

License Agreement

On January 23, 2014, KIT entered into a two year license agreement with the software company to host their eLearning programs. The contract requires minimum annual payments totaling $29,990. License fees totaled $29,990 and $29,990 for the years ended June 30, 2016 and 2015, respectively, which are included in technology expense in the statement of functional expenses.

Litigation

Legal claims and lawsuits arise from time to time in the normal course of business. KIT is not aware of any such proceedings or claims that it believes will have, individually or in aggregate, a material adverse effect to the organization, financial position or changes in net assets.