



**FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**



**Leaf & Cole, LLP**  
*Certified Public Accountants*

**KIDS INCLUDED TOGETHER  
FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

To the Board of Directors  
Kids Included Together

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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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California  
April 16, 2018

**KIDS INCLUDED TOGETHER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>Current Assets:</u></b> (Notes 2, 3, 4 and 5)		
Cash and cash equivalents	\$ 162,438	\$ 826,061
Investments	501,192	-
Contracts and other receivables	526,093	437,408
Contributions receivable	55,000	-
Prepaid expenses and deposits	80,716	52,491
Total Current Assets	<u>1,325,439</u>	<u>1,315,960</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 3, 6 and 7)		
Property, furniture and equipment, net	157,313	189,544
Beneficial interest in endowment funds	14,283	12,829
Total Noncurrent Assets	<u>171,596</u>	<u>202,373</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,497,035</u>	<u>\$ 1,518,333</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Note 2)		
Accounts payable	\$ 32,648	\$ 41,654
Accrued expenses	134,516	136,904
Deferred revenue	-	9,167
Deposits	500	-
Total Current Liabilities	<u>167,664</u>	<u>187,725</u>
Total Liabilities	<u>167,664</u>	<u>187,725</u>
<b><u>Commitments and Contingency</u></b> (Notes 8 and 10)		
<b><u>Net Assets:</u></b> (Notes 2 and 9)		
Unrestricted	1,315,088	1,317,779
Permanently restricted	14,283	12,829
Total Net Assets	<u>1,329,371</u>	<u>1,330,608</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,497,035</u>	<u>\$ 1,518,333</u>

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

**KIDS INCLUDED TOGETHER  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
<b><u>Support and Revenue:</u></b>						
Training revenue	\$ 2,599,518	\$ -	\$ 2,599,518	\$ 2,549,084	\$ -	\$ 2,549,084
Contributions	142,584	-	142,584	167,572	-	167,572
Investment income (loss)	10,702	1,454	12,156	892	(171)	721
Total Support and Revenue	<u>2,752,804</u>	<u>1,454</u>	<u>2,754,258</u>	<u>2,717,548</u>	<u>(171)</u>	<u>2,717,377</u>
<b><u>Expenses:</u></b>						
<b>Program Services:</b>						
DOD	1,501,116	-	1,501,116	1,243,593	-	1,243,593
Public Awareness	233,908	-	233,908	444,387	-	444,387
Affiliates	396,502	-	396,502	214,161	-	214,161
Leed	68,747	-	68,747	199,746	-	199,746
Total Program Services	<u>2,200,273</u>	<u>-</u>	<u>2,200,273</u>	<u>2,101,887</u>	<u>-</u>	<u>2,101,887</u>
<b>Supporting Services:</b>						
Management and general	482,896	-	482,896	475,767	-	475,767
Fundraising	72,326	-	72,326	56,756	-	56,756
Total Supporting Services	<u>555,222</u>	<u>-</u>	<u>555,222</u>	<u>532,523</u>	<u>-</u>	<u>532,523</u>
Total Expenses	<u>2,755,495</u>	<u>-</u>	<u>2,755,495</u>	<u>2,634,410</u>	<u>-</u>	<u>2,634,410</u>
Change in Net Assets	(2,691)	1,454	(1,237)	83,138	(171)	82,967
Net Assets at Beginning of Year	<u>1,317,779</u>	<u>12,829</u>	<u>1,330,608</u>	<u>1,234,641</u>	<u>13,000</u>	<u>1,247,641</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,315,088</u>	<u>\$ 14,283</u>	<u>\$ 1,329,371</u>	<u>\$ 1,317,779</u>	<u>\$ 12,829</u>	<u>\$ 1,330,608</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, 2017**

	Program Services					Supporting Services				Total
	Leed	DOD	Affiliates	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services		
<b><u>Salaries and Related Expenses:</u></b>										
Salaries and wages	\$ 50,515	\$ 993,451	\$ 235,738	\$ 168,384	\$ 1,448,088	\$ 168,385	\$ 50,515	\$ 218,900	\$ 1,666,988	
Employer payroll taxes and benefits	8,962	187,244	46,587	33,600	276,393	41,804	10,400	52,204	328,597	
Total Salaries and Related Expenses	<u>59,477</u>	<u>1,180,695</u>	<u>282,325</u>	<u>201,984</u>	<u>1,724,481</u>	<u>210,189</u>	<u>60,915</u>	<u>271,104</u>	<u>1,995,585</u>	
<b><u>Nonsalary Related Expenses:</u></b>										
Travel expense	1,716	208,852	31,632	2,215	244,415	20,703	6,509	27,212	271,627	
Consultants	6,316	4,800	26,215	5,300	42,631	18,353	3,000	21,353	63,984	
Technology	667	22,484	18,406	790	42,347	38,618	-	38,618	80,965	
Rent expense	-	129	-	313	442	72,452	-	72,452	72,894	
Printing and reproduction	472	27,829	2,390	6,420	37,111	866	139	1,005	38,116	
Promotions/marketing	-	299	1,183	15,444	16,926	150	86	236	17,162	
Depreciation and amortization	-	28,863	28,863	-	57,726	28,862	-	28,862	86,588	
Training materials expense	-	3,725	3,142	127	6,994	177	-	177	7,171	
Telephone	8	1,683	-	-	1,691	23,459	-	23,459	25,150	
Utilities	-	-	-	-	-	15,189	-	15,189	15,189	
Insurance	-	-	-	-	-	17,829	-	17,829	17,829	
Postage and delivery	91	8,228	1,922	-	10,241	2,820	252	3,072	13,313	
Staff development	-	12,288	-	720	13,008	1,936	504	2,440	15,448	
Office supplies	-	1,041	30	-	1,071	12,470	14	12,484	13,555	
Meeting expense	-	200	317	116	633	6,124	323	6,447	7,080	
Merchant service fees	-	-	77	-	77	8,308	584	8,892	8,969	
Dues and subscriptions	-	-	-	479	479	4,056	-	4,056	4,535	
Repairs and maintenance	-	-	-	-	-	335	-	335	335	
Total Nonsalary Related Expenses	<u>9,270</u>	<u>320,421</u>	<u>114,177</u>	<u>31,924</u>	<u>475,792</u>	<u>272,707</u>	<u>11,411</u>	<u>284,118</u>	<u>759,910</u>	
<b>TOTAL EXPENSES</b>	<u>\$ 68,747</u>	<u>\$ 1,501,116</u>	<u>\$ 396,502</u>	<u>\$ 233,908</u>	<u>\$ 2,200,273</u>	<u>\$ 482,896</u>	<u>\$ 72,326</u>	<u>\$ 555,222</u>	<u>\$ 2,755,495</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, 2016**

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

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



**KIDS INCLUDED TOGETHER  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (1,237)	\$ 82,967
<b>Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation and amortization	86,588	25,956
Realized and unrealized investment gains	(4,006)	-
Permanently restricted investment (gains) and losses	(1,454)	171
<b>(Increase) Decrease in:</b>		
Contracts and other receivables	(88,685)	61,210
Contributions receivable	(55,000)	1,500
Prepaid expenses and deposits	(28,225)	(13,019)
<b>Increase (Decrease) in:</b>		
Accounts payable	(9,006)	(49,325)
Accrued expenses	(2,388)	9,535
Deferred revenue	(9,167)	9,167
Deposits	500	-
Net Cash (Used in) Provided by Operating Activities	<u>(112,080)</u>	<u>128,162</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchase of investments, net	(497,186)	-
Purchase of property, furniture and equipment	(54,357)	(42,552)
Beneficial interest in endowment funds	(1,454)	(2,829)
Net Cash Used in Investing Activities	<u>(552,997)</u>	<u>(45,381)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Permanently restricted investment gains and (losses)	1,454	(171)
Net Cash Provided by (Used in) Financing Activities	<u>1,454</u>	<u>(171)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(663,623)	82,610
Cash and Cash Equivalents at Beginning of Year	<u>826,061</u>	<u>743,451</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 162,438</u>	<u>\$ 826,061</u>

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

**KIDS INCLUDED TOGETHER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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 that serve children. To date KIT has worked with 543 organizations in 41 states and 11 countries. Programs include YMCAs, Boys and Girls Clubs, 4-H, Girl Scouts, School Districts, State and National Agencies, and United States military child and youth programs around the world.

The following is a brief description of KIT Services:

**KIT Services**

KIT uses a blended learning approach to professional development on disability inclusion and behavior support with best-in-class in-person training, a sophisticated online learning center, and a call-in support center. KIT is an accredited provider of Continuing Education Units through the International Association for Continuing Education and Training (IACET).

**KIT Affiliates**

KIT Affiliates are child and youth development organizations committed to serving children with and without disabilities. KIT works with affiliates through its blended approach to professional development, as well as through organizational change and policy development to support disability inclusion. KIT offers one-time training events all over the United States, and free community trainings in San Diego and Washington, DC. In FY 2016-2017, KIT provided in-person training and conference presentations for 58 organizations, including four statewide after-school networks (OR, UT, WI, WY), the Jewish Community Center of Greater Baltimore, Child Care Aware of America, Martha’s Vineyard Community Services, YMCA of Metro Los Angeles, Children’s Trust of Massachusetts, the Farm Institute, county offices of education, city governments, school districts and many others. Seventeen in-person topics are offered, including Behavior Support Techniques, Helping Children & Youth Develop Coping Skills, and Accommodations for Children with Autism. FY 2016-2017 conference presentations included Community Living Ontario & Community Living Kincardine and District, the Pennsylvania Department of Human Services, Citizen Advocacy of Ottawa, SXSWedu, and the FIRE Foundation. In FY 2016-2017, KIT completed work for PROMISE South Salt Lake (14 neighborhood centers serving over 2,400 youth) and Telamon Corporation -Transition Resources Corporation (early childhood programs serving 5,979 children and families in six states) to develop behavior support policy frameworks and interventions.

**Department of Defense Child, Youth and Teen Programs**

KIT provides in-person and online training, phone consultations, site visits, 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, 2017, KIT provided 409 days of onsite training and consultation at 158 installations worldwide on disability inclusion and behavior support in child care centers, family child care homes and school age, youth and teen programs. In FY 2016-2017, KIT Trainers facilitated 357 in-person trainings with over 11,000 participants and KIT Support Center Specialists completed 950 phone consultations. In addition to in-person training and consultation provided for military programs in FY17, KIT facilitated 29 live webinars for military personnel, developed and delivered a 16-week online instructor-led course entitled “Certificate of Inclusive Practice in Military Settings” and produced four self-paced eLearning courses to accompany the Navy Child and Youth Programs Inclusion Operating Manual.

**KIDS INCLUDED TOGETHER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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.

**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, 2017 AND 2016**

**Note 2 - 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 statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in exchange traded funds are considered Level 1 assets and are reported at fair value based on quoted net asset value of the shares held at the measurement date.
- Investments in corporate bonds and U.S. Treasury bonds are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- Beneficial interest 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, 2017 and 2016.

**Capitalization and Depreciation and Amortization**

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, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**Capitalization and Depreciation and Amortization (Continued)**

KIT capitalizes intangible costs. The costs related to the development of their website are amortized on the straight-line method over the estimated useful life of five years. The costs of the domain name and knowledge database of literary content and research have an indefinite life and are therefore, not amortized and will remain as intangible assets until they are determined to have no further value to KIT.

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	1.5 - 15 years
Furniture	5 years

Depreciation totaled \$78,920 and \$25,956 for the years ended June 30, 2017 and 2016, respectively. Amortization totaled \$7,668 and \$-0- for the years ended June 30, 2017 and 2016, 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 \$65,932 and \$42,209 at June 30, 2017 and 2016, 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 \$-0- and \$9,167 at June 30, 2017 and 2016, respectively.

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, 2017 AND 2016**

**Note 2 - 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 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, 2017 and 2016, 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, 2017, 2016, 2015, and 2014 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 30, 2017, with three one-year purchase options through November 30, 2020, of which an option through November 30, 2018 has been exercised. Revenue generated from this contract represented approximately 93% and 83% of total support and revenue for the years ended June 30, 2017 and 2016, respectively.

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**Note 2 - 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.

**Subsequent Events**

In preparing these financial statements, KIT has evaluated events and transactions for potential recognition or disclosure through April 16, 2018, 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:

	2017			
	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, 2017
Exchange traded funds:				
Stock funds	\$ 51,619	\$ -	\$ -	\$ 51,619
Bond funds	70,515	-	-	70,515
Corporate bonds	-	341,464	-	341,464
U.S. Treasury bonds	-	37,594	-	37,594
Beneficial interest in endowment funds (Note 7)	-	-	14,283	14,283
	\$ 122,134	\$ 379,058	\$ 14,283	\$ 515,475
	2016			
	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

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

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**Note 3 - Fair Value Measurements: (Continued)**

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:

		2017		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 14,283	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A

  

		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

**Note 4 - Investments:**

Investments consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Exchange traded funds	\$ 122,134	\$ -
Corporate bonds	341,464	-
U.S. Treasury bonds	37,594	-
Total Investments	<u>\$ 501,192</u>	<u>\$ -</u>

The following schedule summarizes the unrestricted investment income for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 7,217	\$ 892
Net realized and unrealized gains	4,006	-
Investment fees	(521)	-
Total Unrestricted Investment Income	<u>\$ 10,702</u>	<u>\$ 892</u>

**Note 5 - Contributions Receivable:**

Contributions receivable totaling \$55,000 and \$-0- at June 30, 2017 and 2016, respectively, are due within one year.



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**Note 6 - Property, Furniture and Equipment:**

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

	<u>2017</u>	<u>2016</u>
Equipment	\$ 204,928	\$ 201,852
Leasehold improvements	146,983	146,983
Furniture	55,656	55,656
Intangible assets	106,981	55,700
Subtotal	<u>514,548</u>	<u>460,191</u>
Less: Accumulated depreciation and amortization	<u>(357,235)</u>	<u>(270,647)</u>
Property, Furniture and Equipment, Net	<u>\$ 157,313</u>	<u>\$ 189,544</u>

**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:

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ 12,829	\$ 10,000
Transfers	-	3,000
Investment loss	1,454	(171)
Balance at End of Year	<u>\$ 14,283</u>	<u>\$ 12,829</u>

**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% (3.25% at June 30, 2017), but not less than 6.0%. The line-of-credit is renewable annually in December and is secured by all assets of KIT. There was no outstanding balance on the line-of-credit at June 30, 2017 and 2016.

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**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:

	<u>Cash</u>	<u>Jewish Community Foundation</u>	<u>Total</u>
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	<u>-</u>	<u>12,829</u>	<u>12,829</u>
Investment income	-	1,454	1,454
Endowment Net Assets at June 30, 2017	<u><u>\$ -</u></u>	<u><u>\$ 14,283</u></u>	<u><u>\$ 14,283</u></u>

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**Note 10 - 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 \$33,009 and \$27,234 for the years ended June 30, 2017 and 2016, respectively, and are included in employer payroll taxes and benefits in the statements of functional expenses.

**Operating Leases**

KIT leases office facilities in San Diego which expires January 29, 2021. Rent expense totaled \$72,894 and \$70,917 for the years ended June 30, 2017 and 2016, respectively and is included in rent in the statements of functional expenses.

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

<u>Years Ended</u> <u>June 30</u>	
2018	\$ 64,862
2019	12,828
2020	13,218
2021	<u>6,708</u>
	<u>\$ 97,616</u>

**License Agreement**

KIT has a license agreement with the software company to host their eLearning programs. The contract requires minimum annual payments totaling \$29,990. License fees totaled \$32,240 and \$29,990 for the years ended June 30, 2017 and 2016, respectively, which are included in technology expense in the statements 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.