Kids Included Together ®

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Leaf & Cole, LLP
Certified Public Accountants

KIDS INCLUDED TOGETHER
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Included Together as of June 30, 2018 and 2017, 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
December 10, 2018

KIDS INCLUDED TOGETHER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Current Assets: (Notes 2, 3, 4 and 5)		
Cash and cash equivalents	$ 97,184	$ 162,438
Investments	505,974	501,192
Contracts and other receivables, net	643,403	526,093
Contributions receivable	-	55,000
Prepaid expenses and deposits	73,376	80,716
Total Current Assets	1,319,937	1,325,439
Noncurrent Assets: (Notes 2, 3, 6 and 7)		
Property, furniture and equipment, net	105,719	157,313
Beneficial interest in endowment funds	15,421	14,283
Total Noncurrent Assets	121,140	171,596
TOTAL ASSETS	$ 1,441,077	$ 1,497,035

LIABILITIES AND NET ASSETS

	2018	2017
Current Liabilities: (Note 2)		
Accounts payable	$ 58,030	$ 32,648
Accrued expenses	142,127	134,516
Deferred revenue	19,219	-
Deposits	-	500
Total Current Liabilities	219,376	167,664
Total Liabilities	219,376	167,664
Commitments (Notes 8 and 11)		
Net Assets: (Notes 2, 9 and 10)		
Unrestricted	1,194,613	1,315,088
Temporarily restricted	11,667	-
Permanently restricted	15,421	14,283
Total Net Assets	1,221,701	1,329,371
TOTAL LIABILITIES AND NET ASSETS	$ 1,441,077	$ 1,497,035

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

KIDS INCLUDED TOGETHER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Training revenue	$ 2,825,419	$ -	$ -	$ 2,825,419	$ 2,599,518	$ -	$ -	$ 2,599,518
Contributions	121,606	20,000	-	141,606	142,584	-	-	142,584
Investment income	4,260	-	1,138	5,398	10,702	-	1,454	12,156
Releases	8,333	(8,333)	-	-	-	-	-	-
Total Support and Revenue	2,959,618	11,667	1,138	2,972,423	2,752,804	-	1,454	2,754,258
Expenses:								
Program Services:								
DOD	1,892,407	-	-	1,892,407	1,501,116	-	-	1,501,116
Affiliates	442,812	-	-	442,812	396,502	-	-	396,502
Public Awareness	196,648	-	-	196,648	233,908	-	-	233,908
Leed	-	-	-	-	68,747	-	-	68,747
Total Program Services	2,531,867	-	-	2,531,867	2,200,273	-	-	2,200,273
Supporting Services:								
Management and general	531,442	-	-	531,442	482,896	-	-	482,896
Fundraising	16,784	-	-	16,784	72,326	-	-	72,326
Total Supporting Services	548,226	-	-	548,226	555,222	-	-	555,222
Total Expenses	3,080,093	-	-	3,080,093	2,755,495	-	-	2,755,495
Change in Net Assets	(120,475)	11,667	1,138	(107,670)	(2,691)	-	1,454	(1,237)
Net Assets at Beginning of Year	1,315,088	-	14,283	1,329,371	1,317,779	-	12,829	1,330,608
NET ASSETS AT END OF YEAR	$ 1,194,613	$ 11,667	$ 15,421	$ 1,221,701	$ 1,315,088	$ -	$ 14,283	$ 1,329,371

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

KIDS INCLUDED TOGETHER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services			
	DOD	Affiliates	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:								
Salaries and wages	$ 1,271,178	$ 294,766	$ 110,537	$ 1,676,481	$ 156,594	$ 9,211	$ 165,805	$ 1,842,286
Payroll taxes and benefits	267,191	61,957	23,234	352,382	35,725	1,937	37,662	390,044
Total Salaries and Related Expenses	1,538,369	356,723	133,771	2,028,863	192,319	11,148	203,467	2,232,330
Nonsalary Related Expenses:								
Bad debts	-	-	-	-	6,500	-	6,500	6,500
Consultants	2,431	3,956	13,308	19,695	77,171	2,000	79,171	98,866
Depreciation and amortization	17,745	17,745	17,744	53,234	17,745	-	17,745	70,979
Dues and subscriptions	-	-	1,400	1,400	4,717	50	4,767	6,167
Insurance	-	-	-	-	19,618	-	19,618	19,618
Meeting expense	283	636	72	991	18,070	-	18,070	19,061
Merchant service fees	-	-	-	-	20,411	94	20,505	20,505
Office supplies	490	306	641	1,437	15,334	-	15,334	16,771
Other business expenses	400	-	-	400	2,976	-	2,976	3,376
Postage and delivery	8,083	1,147	166	9,396	2,719	-	2,719	12,115
Printing and reproduction	36,177	8,420	4,516	49,113	548	-	548	49,661
Promotions/marketing	-	319	12,753	13,072	6,888	-	6,888	19,960
Rent expense	141	-	248	389	39,753	-	39,753	40,142
Staff development	3,802	-	3,175	6,977	1,781	-	1,781	8,758
Technology	35,730	21,172	5,986	62,888	55,274	889	56,163	119,051
Training materials expense	6,648	1,113	1,356	9,117	3,899	-	3,899	13,016
Travel expense	242,108	31,275	1,512	274,895	34,027	2,603	36,630	311,525
Utilities	-	-	-	-	11,692	-	11,692	11,692
Total Nonsalary Related Expenses	354,038	86,089	62,877	503,004	339,123	5,636	344,759	847,763
TOTAL EXPENSES	$ 1,892,407	$ 442,812	$ 196,648	$ 2,531,867	$ 531,442	$ 16,784	$ 548,226	$ 3,080,093

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			
	Leed	DOD	Affiliates	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:									
Salaries and wages	$ 50,515	$ 993,451	$ 235,738	$ 168,384	$ 1,448,088	$ 168,385	$ 50,515	$ 218,900	$ 1,666,988
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	59,477	1,180,695	282,325	201,984	1,724,481	210,189	60,915	271,104	1,995,585
Nonsalary Related Expenses:									
Consultants	6,316	4,800	26,215	5,300	42,631	18,353	3,000	21,353	63,984
Depreciation and amortization	-	28,863	28,863	-	57,726	28,862	-	28,862	86,588
Dues and subscriptions	-	-	-	479	479	4,056	-	4,056	4,535
Insurance	-	-	-	-	-	17,829	-	17,829	17,829
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
Office supplies	-	1,041	30	-	1,071	12,470	14	12,484	13,555
Postage and delivery	91	8,228	1,922	-	10,241	2,820	252	3,072	13,313
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
Rent expense	-	129	-	313	442	72,452	-	72,452	72,894
Repairs and maintenance	-	-	-	-	-	335	-	335	335
Staff development	-	12,288	-	720	13,008	1,936	504	2,440	15,448
Technology	667	22,484	18,406	790	42,347	38,618	-	38,618	80,965
Telephone	8	1,683	-	-	1,691	23,459	-	23,459	25,150
Training materials expense	-	3,725	3,142	127	6,994	177	-	177	7,171
Travel expense	1,716	208,852	31,632	2,215	244,415	20,703	6,509	27,212	271,627
Utilities	-	-	-	-	-	15,189	-	15,189	15,189
Total Nonsalary Related Expenses	9,270	320,421	114,177	31,924	475,792	272,707	11,411	284,118	759,910
TOTAL EXPENSES	$ 68,747	$ 1,501,116	$ 396,502	$ 233,908	$ 2,200,273	$ 482,896	$ 72,326	$ 555,222	$ 2,755,495

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

KIDS INCLUDED TOGETHER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	$ (107,670)	$ (1,237)
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	70,979	86,588
Realized and unrealized investment losses and (gains)	12,682	(4,006)
Permanently restricted investment gains	(1,138)	(1,454)
(Increase) Decrease in:		
Contracts and other receivables, net	(117,310)	(88,685)
Contributions receivable	55,000	(55,000)
Prepaid expenses and deposits	7,340	(28,225)
Increase (Decrease) in:		
Accounts payable	25,382	(9,006)
Accrued expenses	7,611	(2,388)
Deferred revenue	19,219	(9,167)
Deposits	(500)	500
Net Cash Used in Operating Activities	(28,405)	(112,080)
Cash Flows From Investing Activities:		
Purchase of investments, net	(17,464)	(497,186)
Purchase of property, furniture and equipment	(19,385)	(54,357)
Beneficial interest in endowment funds	(1,138)	(1,454)
Net Cash Used in Investing Activities	(37,987)	(552,997)
Cash Flows From Financing Activities:		
Permanently restricted investment gains	1,138	1,454
Net Cash Provided by Financing Activities	1,138	1,454
Net Decrease in Cash and Cash Equivalents	(65,254)	(663,623)
Cash and Cash Equivalents at Beginning of Year	162,438	826,061
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 97,184	$ 162,438

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

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 549 organizations in 48 states and 13 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 Washington, DC. In FY 2017-2018, KIT provided in-person training and conference presentations for 36 organizations, including three statewide after-school networks (NJ, UT, WY), the University of Hawaii, Child Care Aware of America, Martha's Vineyard Community Services, YMCA of Greater Indianapolis, 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 2017-2018 conference presentations included the Ruderman Inclusion Summit, the YMCA Campfire Conference, SXSWedu, and the National Afterschool Association Conference. In FY 2017-2018, KIT completed work for Boys & Girls Clubs of America (4,000 Clubs) to develop a behavior support policy framework and interventions and For Inspiration and Recognition of Science and Technology (serving over 500,000 students) to assess current disability inclusion policies and practices.

Note 1 - Organization: (Continued)

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, 2018, KIT provided 427 days of onsite training and consultation at 161 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 2017-2018, KIT Trainers facilitated 447 in-person trainings with over 13,500 participants and KIT Support Center Specialists completed 1,165 phone consultations. In addition to in-person training and consultation provided for military programs in FY18, KIT facilitated 29 live webinars for military personnel, delivered two sessions of 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. More than 20,000 military personnel working with children or youth, accessed KIT's online learning center which offers over 100 hours of CEU eligible inclusion training. KIT also provided 612 hours of support to branches to review and assess current operational policies and procedures in child and youth programs with a focus on disability inclusion and behavior support.

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.

Note 2 - Significant Accounting Policies: (Continued)

Financial Statement Presentation (Continued)

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.

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.

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

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. The allowance for doubtful contracts and other receivables totaled $6,500 and $-0- at June 30, 2018 and 2017.

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.

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 and website	5 years

Depreciation totaled $55,643 and $78,920 for the years ended June 30, 2018 and 2017, respectively. Amortization totaled $15,336 and $7,668 for the years ended June 30, 2018 and 2017, respectively.

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation and Amortization (Continued)

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 $91,738 and $65,932 at June 30, 2018 and 2017, 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 $19,219 and $-0- at June 30, 2018 and 2017, 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.

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, 2018 and 2017, 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.

Note 2 - Significant Accounting Policies: (Continued)

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, 2018, 2017, 2016, and 2015 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 80% and 87% of total support and revenue for the years ended June 30, 2018 and 2017, respectively.

Cash and Cash Equivalents

For purposes of the statements 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 December 10, 2018, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.

Note 3 - Fair Value Measurements:

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

	2018			
	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, 2018
Exchange traded funds	$ 134,433	$ -	$	$ 134,433
Corporate bonds	-	334,022	-	334,022
U.S. Treasury bonds	-	37,519	-	37,519
Beneficial interest in endowment funds (Note 7)	-	-	15,421	15,421
	$ 134,433	$ 371,541	$ 15,421	$ 521,395

	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	$ 122,134	$ -	$ -	$ 122,134
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

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in Note 7 as indicated above.

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

2018				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 15,421	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A

Note 3 - Fair Value Measurements: (Continued)

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

Note 4 - Investments:

Investments consist of the following at June 30:

	2018	2017
Exchange traded funds	$ 134,433	$ 122,134
Corporate bonds	334,022	341,464
U.S. Treasury bonds	37,519	37,594
Total Investments	$ 505,974	$ 501,192

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

	2018	2017
Interest and dividends	$ 19,266	$ 7,217
Net realized and unrealized (losses) gains	(12,682)	4,006
Investment fees	(2,324)	(521)
Total Unrestricted Investment Income	$ 4,260	$ 10,702

Note 5 - Contributions Receivable:

Contributions receivable totaling $-0- and $55,000 at June 30, 2018 and 2017, respectively, are due within one year.

Note 6 - Property, Furniture and Equipment:

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

	2018	2017
Intangible assets	$ 105,219	$ 106,981
Equipment	27,858	204,928
Furniture	24,475	55,656
Leasehold improvements	-	146,983
Subtotal	157,552	514,548
Less: Accumulated depreciation and amortization	(51,833)	(357,235)
Property, Furniture and Equipment, Net	$ 105,719	$ 157,313

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 57% in domestic and international equities, 10% in fixed income, 29% in multi-strategy and 4% 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:

	2018	2017
Balance at Beginning of Year	$ 14,283	$ 12,829
Investment gain	1,138	1,454
Balance at End of Year	$ 15,421	$ 14,283

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% (6% at June 30, 2018), 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, 2018 and 2017.

Note 9 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Inclusion support specialist certificate program	$ 11,667	$ -

Net assets totaling $8,333 and $-0- were released from donor restrictions during the years ended June 30, 2018 and 2017, respectively, by incurring expenses satisfying the purpose or time restrictions specified by donors.

Note 10 - 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

Note 10 - Endowment Net Assets: (Continued)

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:

	Jewish Community Foundation
Endowment Net Assets at June 30, 2016	$ 12,829
Investment income	1,454
Endowment Net Assets at June 30, 2017	14,283
Investment income	1,138
Endowment Net Assets at June 30, 2018	$ 15,421

Note 11 - Commitments:

Pension Plan

KIT has established a Simple IRA for employees. The plan was amended as of January 1, 2013 to provide a 3% employer match for all participating employees. Prior to the amendment, the plan provided an employer contribution for each eligible employee of 2% of the employee's annual compensation. Employer contributions totaled $30,534 and $33,009 for the years ended June 30, 2018 and 2017, respectively, and are included in employer payroll taxes and benefits in the statements of functional expenses.

Note 11 - Commitments: (Continued)

Operating Leases

KIT leases office facilities in San Diego which expires January 29, 2021. Rent expense totaled $40,142 and $72,894 for the years ended June 30, 2018 and 2017, respectively and is included in rent in the statements of functional expenses.

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

Years Ended June 30		
2019	$	12,828
2020		13,218
2021		6,708
	$	32,754

License Agreement

KIT has a license agreement with the software company to host their eLearning programs. The contract requires minimum annual payments totaling $41,990. License fees totaled $38,491 and $32,240 for the years ended June 30, 2018 and 2017, respectively, which are included in technology expense in the statements of functional expenses.