Kids Included Together ®

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Leaf & Cole, LLP
Certified Public Accountants

KIDS INCLUDED TOGETHER
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

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, 2019 and 2018, 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, 2019 and 2018, 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 16, 2019

KIDS INCLUDED TOGETHER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Current Assets: (Notes 2, 4 and 5)		
Cash and cash equivalents	$ 326,826	$ 97,184
Investments	321,217	505,974
Contracts and other receivables, net	622,047	643,403
Prepaid expenses and other assets	120,118	73,376
Total Current Assets	1,390,208	1,319,937
Noncurrent Assets: (Notes 2, 6 and 7)		
Property, furniture and equipment, net	81,685	105,719
Beneficial interest in endowment funds	15,975	15,421
Total Noncurrent Assets	97,660	121,140
TOTAL ASSETS	$ 1,487,868	$ 1,441,077

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities: (Note 2)		
Accounts payable	$ 34,330	$ 58,030
Accrued expenses	171,318	142,127
Deferred revenue	15,166	19,219
Total Current Liabilities	220,814	219,376
Total Liabilities	220,814	219,376
Commitments and Contingency (Notes 11)		
Net Assets: (Notes 2, 9 and 10)		
Without donor restrictions	1,251,079	1,194,613
With donor restrictions	15,975	27,088
Total Net Assets	1,267,054	1,221,701
TOTAL LIABILITIES AND NET ASSETS	$ 1,487,868	$ 1,441,077

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

KIDS INCLUDED TOGETHER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Training revenue	$ 3,122,991	$ -	$ 3,122,991	$ 2,825,419	$ -	$ 2,825,419
Contributions	239,062		239,062	121,606	20,000	141,606
Investment income	13,595	554	14,149	4,260	1,138	5,398
Net assets released from restrictions	11,667	(11,667)	-	8,333	(8,333)	-
Total Support and Revenue	3,387,315	(11,113)	3,376,202	2,959,618	12,805	2,972,423
Expenses:						
Program Services:						
DOD	1,818,393	-	1,818,393	1,892,407	-	1,892,407
Inclusive Communities	357,215	-	357,215	442,812	-	442,812
Inclusive Schools	337,744	-	337,744	-	-	-
Public Awareness	320,292	-	320,292	196,648	-	196,648
Total Program Services	2,833,644	-	2,833,644	2,531,867	-	2,531,867
Supporting Services:						
Management and general	419,054	-	419,054	531,442	-	531,442
Fundraising	78,151	-	78,151	16,784	-	16,784
Total Supporting Services	497,205	-	497,205	548,226	-	548,226
Total Expenses	3,330,849	-	3,330,849	3,080,093	-	3,080,093
Change in Net Assets	56,466	(11,113)	45,353	(120,475)	12,805	(107,670)
Net Assets at Beginning of Year	1,194,613	27,088	1,221,701	1,315,088	14,283	1,329,371
NET ASSETS AT END OF YEAR	$ 1,251,079	$ 15,975	$ 1,267,054	$ 1,194,613	$ 27,088	$ 1,221,701

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

KIDS INCLUDED TOGETHER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services			
	DOD	Inclusive Communities	Inclusive Schools	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:									
Salaries and wages	$ 1,197,238	$ 266,325	$ 259,436	$ 199,391	$ 1,922,390	$ 127,190	$ 32,307	$ 159,497	$ 2,081,887
Payroll taxes and benefits	233,913	28,012	50,686	38,955	351,566	20,089	6,312	26,401	377,967
Total Salaries and Related Expenses	1,431,151	294,337	310,122	238,346	2,273,956	147,279	38,619	185,898	2,459,854
Nonsalary Related Expenses:									
Bad debts (recoveries)	-	-	-	-	-	(5,446)	-	(5,446)	(5,446)
Consultants	8,435	-	-	28,275	36,710	100,963	32,635	133,598	170,308
Depreciation and amortization	8,971	2,990	2,991	2,990	17,942	8,766	-	8,766	26,708
Dues and subscriptions	-	395	-	115	510	1,760	76	1,836	2,346
Insurance	-	-	-	-	-	19,488	-	19,488	19,488
Meeting expense	1,482	2,044	2,001	507	6,034	21,584	430	22,014	28,048
Merchant service fees	-	-	36	198	234	23,009	661	23,670	23,904
Occupancy	-	-	-	-	-	20,465	-	20,465	20,465
Office supplies	609	250	-	185	1,044	7,591	175	7,766	8,810
Other business expenses	-	-	-	-	-	785	-	785	785
Postage and delivery	11,221	1,879	43	-	13,143	3,024	-	3,024	16,167
Printing and reproduction	49,301	4,256	1,432	1,698	56,687	2,735	-	2,735	59,422
Promotions/marketing	-	1,628	902	12,367	14,897	2,619	-	2,619	17,516
Staff development	984	50	215	944	2,193	4,742	-	4,742	6,935
Technology	25,586	11,332	10,889	34,032	81,839	42,358	-	42,358	124,197
Training materials expense	4,524	1,758	-	-	6,282	3,462	89	3,551	9,833
Travel expense	276,129	36,296	9,113	635	322,173	13,870	5,466	19,336	341,509
Total Nonsalary Related Expenses	387,242	62,878	27,622	81,946	559,688	271,775	39,532	311,307	870,995
Total Expenses	$ 1,818,393	$ 357,215	$ 337,744	$ 320,292	$ 2,833,644	$ 419,054	$ 78,151	$ 497,205	$ 3,330,849

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	Inclusive Communities	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
Occupancy	141	-	248	389	51,445	-	51,445	51,834
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
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
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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	$ 45,353	$ (107,670)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,708	70,979
Realized and unrealized investment (gains) and losses	(330)	12,682
Endowment investment gains	(554)	(1,138)
(Increase) Decrease in:		
Contracts and other receivables, net	21,356	(117,310)
Contributions receivable	-	55,000
Prepaid expenses and other assets	(46,742)	7,340
Increase (Decrease) in:		
Accounts payable	(23,700)	25,382
Accrued expenses	29,191	7,611
Deferred revenue	(4,053)	19,219
Deposits	-	(500)
Net Cash Provided By (Used in) Operating Activities	47,229	(28,405)
Cash Flows From Investing Activities:		
Purchase of investments, net	185,087	(17,464)
Purchase of property, furniture and equipment	(2,674)	(19,385)
Beneficial interest in endowment funds	(554)	(1,138)
Net Cash Provided by (Used in) Investing Activities	181,859	(37,987)
Cash Flows From Financing Activities:		
Endowment investment gains	554	1,138
Net Cash Provided by Financing Activities	554	1,138
Net Increase (Decrease) in Cash and Cash Equivalents	229,642	(65,254)
Cash and Cash Equivalents at Beginning of Year	97,184	162,438
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 326,826	$ 97,184
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 613	$ -

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 that serve children. To date, KIT has worked with 594 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 Program 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 Clients:

Inclusive Communities

KIT clients are child and youth development organizations committed to serving children with and without disabilities. KIT works with clients through its blended approach to professional development, as well as through organizational change and policy development to support disability inclusion. KIT offers training events all over the United States, and free community trainings in Washington, DC. In FY 2018-2019, KIT provided 76 in-person trainings and conference presentations for 48 organizations, including five national organizations (Boys & Girls Clubs of America, Child Care Aware of America, *FIRST* -For Inspiration and Recognition of Science and Technology, the National Afterschool Association, and the YMCA of the USA). Seventeen in-person topics are offered, including Responding to Aggressive Behavior, Supporting Social-Emotional Needs, and Planning Supports for Children with Autism Spectrum Disorder.

Inclusive Schools

During FY 2018-2019, Unified Theatre, a nonstock corporation based in the State of Connecticut, dissolved and transferred its remaining financial assets and intellectual property to KIT. KIT now operates this transformative, school-based performing arts program for young people with and without disabilities. 27 schools in 3 states facilitated productions entirely organized, written, and directed by students. KIT also launched the Inclusive Schools program, which provided training on inclusive practices and individualized educational assessments for 9 schools in 3 states.

Note 1 - Organization: (Continued)

KIT Clients: (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, 2019, KIT provided 473 days of onsite training and consultation at 197 installations worldwide on disability inclusion and behavior support in childcare centers, family childcare homes and school age, youth and teen programs. In FY 2018-2019, KIT Trainers facilitated 458 in-person trainings with over 14,200 participants and KIT Support Center Specialists completed 1,515 phone consultations. In addition to in-person training and consultation provided for military programs in FY19, KIT facilitated 31 live webinars for military personnel, delivered four sessions of a 16-week online instructor-led course entitled “Certificate of Inclusive Practice in Military Settings” and produced three self-paced eLearning courses to accompany the Army CYS Operational Guidance for Behavior Support and Youth Sports Programming. More than 21,000 military personnel working with children or youth accessed KIT’s online learning center which offers over 130 hours of CEU eligible inclusion training. KIT also provided 436 hours of support to branches to review and revise 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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

.

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of financial statements in conformity U.S. GAAP 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 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 by 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 $-0- and $6,500 at June 30, 2019 and 2018.

Note 2 - Significant Accounting Policies: (Continued)

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 support without donor restrictions 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 support with donor restrictions. Absent donor stipulations regarding how 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 net assets with donor restrictions to net assets without donor restrictions 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:

Intangible assets	5 years
Equipment	3 - 7 years
Furniture	5 years

Depreciation totaled $11,372 and $55,643 for the years ended June 30, 2019 and 2018, respectively. Amortization totaled $15,336 and $15,336 for the years ended June 30, 2019 and 2018, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Compensated Absences

Accumulated unpaid vacation totaling $123,144 and $91,738 at June 30, 2019 and 2018, 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 $15,166 and $19,219 at June 30, 2019 and 2018, 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions

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, 2019 and 2018, did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services based on 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, 2019, 2018, 2017, and 2016 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, 2017, with three one-year purchase options through November 30, 2020, of which two options through November 30, 2019 have been exercised. Revenue generated from this contract represented approximately 83% and 86% of total support and revenue for the years ended June 30, 2019 and 2018, 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.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. KIT has adopted this ASU as of and for the year ended June 30, 2019.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to KIT on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2018. There was no effect of adopting the new accounting principles on contributions in 2019.

Note 2 - Significant Accounting Policies: (Continued)

Subsequent Events

In preparing these financial statements, KIT has evaluated events and transactions for potential recognition or disclosure through December 16, 2019, 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 - Liquidity and Availability:

KIT regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. KIT considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, KIT considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure within one year, are comprised of the following at June 30, 2019:

Financial assets as year-end:	
Cash and cash equivalents	$ 326,826
Investments	321,217
Contracts and other receivables	622,047
Financial assets available for general expenditures within one year	$ 1,270,090

In addition to financial assets available to meet general expenditures over the next 12 months KIT has a line-of-credit agreement with available borrowings totaling $100,000 as described in Note 8. KIT operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Fair Value Measurements:

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

	2019			
	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, 2019
Exchange traded funds	$ 46,636	$ -	$ -	$ 46,636
Corporate bonds	-	251,843	-	251,843
U.S. Treasury bonds	-	22,738	-	22,738
Beneficial interest in endowment funds (Note 7)	-	-	15,975	15,975
	$ 46,636	$ 274,581	$ 15,975	$ 337,192

Note 4 - Fair Value Measurements: (Continued)

	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

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:

2019

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 15,975	Valuation of underlying assets as reported by Jewish Community Foundation	Base price	N/A

2018

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

Note 5 - Investments:

Investments consist of the following at June 30:

	2019	2018
Exchange traded funds	$ 46,636	$ 134,433
Corporate bonds	251,843	334,022
U.S. Treasury bonds	22,738	37,519
Total Investments	$ 321,217	$ 505,974

The following schedule summarizes the investment income without donor restrictions for the years ended June 30:

	2019	2018
Interest and dividends	$ 15,166	$ 19,266
Net realized and unrealized gains (losses)	330	(12,682)
Investment fees	(1,901)	(2,324)
Total Investment Income	$ 13,595	$ 4,260

Note 6 - Property, Furniture and Equipment:

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

	2019	2018
Intangible assets	$ 105,219	$ 105,219
Equipment	30,532	27,858
Furniture	24,475	24,475
Subtotal	160,226	157,552
Less: Accumulated depreciation and amortization	(78,541)	(51,833)
Property, Furniture and Equipment, Net	$ 81,685	$ 105,719

Note 7 - Beneficial Interest in Endowment Funds:

KIT has a beneficial interest in endowment funds held by Jewish Community Foundation, which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held by 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 by Jewish Community Foundation consisted of the following for the years ended June 30:

	2019	2018
Balance at Beginning of Year	$ 15,421	$ 14,283
Investment gain	554	1,138
Balance at End of Year	$ 15,975	$ 15,421

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% (7.25% at June 30, 2019), but not less than 6%. 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, 2019 and 2018.

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by KIT, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Inclusion support specialist certificate program	$ -	$ 11,667
Perpetual in Nature:		
Endowment (Note 10)	15,975	15,421
Total Net Assets with Donor Restrictions	$ 15,975	$ 27,088

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30:

	2019	2018
Purpose Restrictions Accomplished:		
Inclusion support specialist certificate program Hospice	$ 11,667	$ 8,333
Total Net Assets Released From Restrictions	$ 11,667	$ 8,333

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. Donor-restricted net assets of a perpetual nature held by the Foundation are comprised of:

- 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:

	2019	2018
Balance at Beginning of Year	$ 15,421	$ 14,283
Investment gain	554	1,138
Balance at End of Year	$ 15,975	$ 15,421

Note 11 – Commitments and Contingency:

Pension Plan

KIT has established a Simple IRA pension plan. KIT matches employee contributions up to 3% for all participating employees. KIT's contributions totaled $38,502 and $30,534 for the years ended June 30, 2019 and 2018, 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 under an operating lease through January 29, 2021. Rent and other occupancy expenses totaled $20,464 and $51,445 for the years ended June 30, 2019 and 2018, respectively.

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

Years Ended June 30	
2020	$ 13,218
2021	6,708
	$ 19,926

Note 11 – Commitments and Contingency: (Continued)

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 $69,299 and $38,491 for the years ended June 30, 2019 and 2018, 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.