



**FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**



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

**KIDS INCLUDED TOGETHER  
FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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.

*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, 2020 and 2019, 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  
November 18, 2020

**KIDS INCLUDED TOGETHER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b><u>Current Assets:</u></b> (Notes 2, 4 and 5)		
Cash and cash equivalents	\$ 753,197	\$ 326,826
Investments	337,302	321,217
Contracts and other receivables, net	265,224	622,047
Prepaid expenses and other assets	108,650	120,118
Total Current Assets	<u>1,464,373</u>	<u>1,390,208</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 6 and 7)		
Property, furniture and equipment, net	62,630	81,685
Beneficial interest in endowment funds	15,912	15,975
Total Noncurrent Assets	<u>78,542</u>	<u>97,660</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,542,915</u>	<u>\$ 1,487,868</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Note 2)		
Accounts payable	\$ 14,978	\$ 34,330
Accrued expenses	166,416	171,318
Deferred revenue	10,376	15,166
Total Current Liabilities	<u>191,770</u>	<u>220,814</u>
Total Liabilities	<u>191,770</u>	<u>220,814</u>
<b><u>Commitments and Contingencies</u></b> (Notes 8 and 11)		
<b><u>Net Assets:</u></b> (Notes 2, 9 and 10)		
Without donor restrictions	1,335,233	1,251,079
With donor restrictions	15,912	15,975
Total Net Assets	<u>1,351,145</u>	<u>1,267,054</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,542,915</u>	<u>\$ 1,487,868</u>

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

**KIDS INCLUDED TOGETHER  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Training revenue	\$ 2,707,295	\$ -	\$ 2,707,295	\$ 3,122,991	\$ -	\$ 3,122,991
Contributions	562,628	-	562,628	239,062	-	239,062
Investment income	17,644	(63)	17,581	13,595	554	14,149
Net assets released from restrictions	-	-	-	11,667	(11,667)	-
Total Support and Revenue	<u>3,287,567</u>	<u>(63)</u>	<u>3,287,504</u>	<u>3,387,315</u>	<u>(11,113)</u>	<u>3,376,202</u>
<b>Expenses:</b>						
<b>Program Services:</b>						
DOD	1,969,103	-	1,969,103	1,818,393	-	1,818,393
Public awareness	350,819	-	350,819	320,292	-	320,292
Inclusive communities	338,285	-	338,285	357,215	-	357,215
Inclusive schools	122,098	-	122,098	337,744	-	337,744
Total Program Services	<u>2,780,305</u>	<u>-</u>	<u>2,780,305</u>	<u>2,833,644</u>	<u>-</u>	<u>2,833,644</u>
<b>Supporting Services:</b>						
Management and general	374,555	-	374,555	419,054	-	419,054
Fundraising	48,553	-	48,553	78,151	-	78,151
Total Supporting Services	<u>423,108</u>	<u>-</u>	<u>423,108</u>	<u>497,205</u>	<u>-</u>	<u>497,205</u>
Total Expenses	<u>3,203,413</u>	<u>-</u>	<u>3,203,413</u>	<u>3,330,849</u>	<u>-</u>	<u>3,330,849</u>
Change in Net Assets	84,154	(63)	84,091	56,466	(11,113)	45,353
Net Assets at Beginning of Year	<u>1,251,079</u>	<u>15,975</u>	<u>1,267,054</u>	<u>1,194,613</u>	<u>27,088</u>	<u>1,221,701</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,335,233</u>	<u>\$ 15,912</u>	<u>\$ 1,351,145</u>	<u>\$ 1,251,079</u>	<u>\$ 15,975</u>	<u>\$ 1,267,054</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, 2020**

	Program Services					Supporting Services			
	DOD	Public Awareness	Inclusive Communities	Inclusive Schools	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
<b>Salaries and Related Expenses:</b>									
Salaries and wages	\$ 1,369,541	\$ 256,831	\$ 237,642	\$ 96,744	\$ 1,960,758	\$ 132,060	\$ 28,533	\$ 160,593	\$ 2,121,351
Payroll taxes and benefits	263,175	50,947	44,613	16,975	375,710	19,809	5,707	25,516	401,226
Total Salaries and Related Expenses	<u>1,632,716</u>	<u>307,778</u>	<u>282,255</u>	<u>113,719</u>	<u>2,336,468</u>	<u>151,869</u>	<u>34,240</u>	<u>186,109</u>	<u>2,522,577</u>
<b>Nonsalary Related Expenses:</b>									
Bad debts	-	-	-	2,099	2,099	-	-	-	2,099
Consultants	18,907	23,782	6,881	828	50,398	82,461	828	83,289	133,687
Depreciation and amortization	20,266	-	2,207	1,200	23,673	-	1,201	1,201	24,874
Dues and subscriptions	6	-	31	10	47	1,612	36	1,648	1,695
Insurance	-	-	-	-	-	32,445	-	32,445	32,445
Meeting expense	4,595	1,320	2,330	81	8,326	12,978	475	13,453	21,779
Merchant service fees	798	99	111	55	1,063	24,599	631	25,230	26,293
Occupancy	8,696	56	322	162	9,236	15,838	105	15,943	25,179
Office supplies	1,807	564	302	6	2,679	1,823	55	1,878	4,557
Other business expenses	-	-	-	-	-	32	-	32	32
Postage and delivery	9,523	45	1,422	111	11,101	358	377	735	11,836
Printing and reproduction	24,701	1,604	3,419	89	29,813	1,695	848	2,543	32,356
Promotions/marketing	-	1,629	104	85	1,818	-	1,750	1,750	3,568
Staff development	2,151	258	528	2	2,939	-	1,025	1,025	3,964
Technology	56,063	12,172	10,317	2,461	81,013	32,408	2,746	35,154	116,167
Training materials expense	10,197	-	896	-	11,093	3,414	-	3,414	14,507
Travel expense	178,677	1,512	27,160	1,190	208,539	13,023	4,236	17,259	225,798
Total Nonsalary Related Expenses	<u>336,387</u>	<u>43,041</u>	<u>56,030</u>	<u>8,379</u>	<u>443,837</u>	<u>222,686</u>	<u>14,313</u>	<u>236,999</u>	<u>680,836</u>
<b>Total Expenses</b>	<u>\$ 1,969,103</u>	<u>\$ 350,819</u>	<u>\$ 338,285</u>	<u>\$ 122,098</u>	<u>\$ 2,780,305</u>	<u>\$ 374,555</u>	<u>\$ 48,553</u>	<u>\$ 423,108</u>	<u>\$ 3,203,413</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, 2019**

	Program Services				Supporting Services				Total
	DOD	Inclusive Communities	Inclusive Schools	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	
<b>Salaries and Related Expenses:</b>									
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	<u>1,431,151</u>	<u>294,337</u>	<u>310,122</u>	<u>238,346</u>	<u>2,273,956</u>	<u>147,279</u>	<u>38,619</u>	<u>185,898</u>	<u>2,459,854</u>
<b>Nonsalary Related Expenses:</b>									
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	<u>387,242</u>	<u>62,878</u>	<u>27,622</u>	<u>81,946</u>	<u>559,688</u>	<u>271,775</u>	<u>39,532</u>	<u>311,307</u>	<u>870,995</u>
<b>Total Expenses</b>	<u>\$ 1,818,393</u>	<u>\$ 357,215</u>	<u>\$ 337,744</u>	<u>\$ 320,292</u>	<u>\$ 2,833,644</u>	<u>\$ 419,054</u>	<u>\$ 78,151</u>	<u>\$ 497,205</u>	<u>\$ 3,330,849</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 84,091	\$ 45,353
<b>Adjustment to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	24,874	26,708
Realized and unrealized investment gains	(5,617)	(330)
Endowment investment losses (gains)	63	(554)
<b>(Increase) Decrease in:</b>		
Contracts and other receivables, net	356,823	21,356
Prepaid expenses and other assets	11,468	(46,742)
<b>Increase (Decrease) in:</b>		
Accounts payable	(19,352)	(23,700)
Accrued expenses	(4,902)	29,191
Deferred revenue	(4,790)	(4,053)
Net Cash Provided By Operating Activities	<u>442,658</u>	<u>47,229</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchase of investments, net	(10,468)	185,087
Purchase of property, furniture and equipment	(5,819)	(2,674)
Beneficial interest in endowment funds	63	(554)
Net Cash (Used in) Provided by Investing Activities	<u>(16,224)</u>	<u>181,859</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Endowment investment (losses) gains	(63)	554
Net Cash (Used in) Provided by Financing Activities	<u>(63)</u>	<u>554</u>
Net Increase in Cash and Cash Equivalents	426,371	229,642
Cash and Cash Equivalents at Beginning of Year	<u>326,826</u>	<u>97,184</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 753,197</u>	<u>\$ 326,826</u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 613</u>

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

**KIDS INCLUDED TOGETHER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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. KIT provides services to YMCAs, Boys and Girls Clubs, Girl Scouts, State and National Agencies, and United States military child and youth programs around the world.

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).

**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.

**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

**KIDS INCLUDED TOGETHER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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 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. Management believes that all contracts and other receivables were fully collectible; therefore, no allowance for doubtful contracts and other receivables was recorded at June 30, 2020 and 2019.

**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

**KIDS INCLUDED TOGETHER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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:

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

Depreciation totaled \$9,538 and \$11,372 for the years ended June 30, 2020 and 2019, respectively. Amortization totaled \$15,336 and \$15,336 for the years ended June 30, 2020 and 2019, 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 \$104,744 and \$123,144 at June 30, 2020 and 2019, 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 \$10,376 and \$15,166 at June 30, 2020 and 2019, 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 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.

**KIDS INCLUDED TOGETHER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

**Donated Services**

KIT utilizes the services of many volunteers throughout the year. Approximately 848 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, 2020 and 2019 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, 2020, 2019, 2018 and 2017 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, 2016, with four one-year purchase options through November 30, 2020, which have been exercised. Revenue generated from this contract represented approximately 75% and 83% of total support and revenue for the years ended June 30, 2020 and 2019, 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.

**KIDS INCLUDED TOGETHER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Accounting Pronouncements Adopted**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis, which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended June 30, 2020 had no effect on the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

**Subsequent Events**

In preparing these financial statements, KIT has evaluated events and transactions for potential recognition or disclosure through November 18, 2020, 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:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 753,197	\$ 326,826
Investments	337,302	321,217
Contracts and other receivables	<u>265,224</u>	<u>622,047</u>
Financial assets available for general expenditures within one year	<u>1,355,723</u>	<u>\$ 1,270,090</u>

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.

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**Note 4 - Fair Value Measurements:**

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

	2020			
	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, 2020
Exchange traded funds	\$ 51,342	\$ -	\$ -	\$ 51,342
Corporate bonds	-	262,816	-	262,816
U.S. Treasury bonds	-	23,144	-	23,144
Beneficial interest in endowment funds (Note 7)	-	-	15,912	15,912
	<u>\$ 51,342</u>	<u>\$ 285,960</u>	<u>\$ 15,912</u>	<u>\$ 353,214</u>
	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
	<u>\$ 46,636</u>	<u>\$ 274,581</u>	<u>\$ 15,975</u>	<u>\$ 337,192</u>

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**Note 4 - Fair Value Measurements: (Continued)**

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:

2020				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 15,912	Valuation of underlying assets as reported by Jewish Community Foundation	Base price	N/A
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

**Note 5 - Investments:**

Investments consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Corporate bonds	\$ 262,816	\$ 251,843
Exchange traded funds	51,342	46,636
U.S. Treasury bonds	23,144	22,738
Total Investments	<u>\$ 337,302</u>	<u>\$ 321,217</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 13,527	\$ 15,166
Net realized and unrealized gains	5,617	330
Investment fees	(1,500)	(1,901)
Total Investment Income	<u>\$ 17,644</u>	<u>\$ 13,595</u>



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

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

	<u>2020</u>	<u>2019</u>
Intangible assets	\$ 105,219	\$ 105,219
Equipment	36,351	30,532
Furniture	24,475	24,475
Subtotal	166,045	160,226
Less: Accumulated depreciation and amortization	(103,415)	(78,541)
Property, Furniture and Equipment, Net	\$ 62,630	\$ 81,685

**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 51% in domestic and international equities, 12% in fixed income, 31% in multi-strategy, and 6% 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:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 15,975	\$ 15,421
Investment (loss) gain	(63)	554
Balance at End of Year	\$ 15,912	\$ 15,975

**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, 2020), 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, 2020 and 2019.

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**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:

	<u>2020</u>	<u>2019</u>
<b>Perpetual in Nature:</b>		
Endowment (Note 10)	\$ 15,912	\$ 15,975
Total Net Assets with Donor Restrictions	<u>\$ 15,912</u>	<u>\$ 15,975</u>

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:

	<u>2020</u>	<u>2019</u>
<b>Purpose Restrictions Accomplished:</b>		
Inclusion support specialist certificate program	\$ -	\$ 11,667
Total Net Assets Released From Restrictions	<u>\$ -</u>	<u>\$ 11,667</u>

**Note 10 - Endowment Net Assets:**

KIT has a beneficial interest in endowment funds that are held by Jewish Community Foundation (the "Foundation"). The Foundation manages the funds in accordance with The Uniform Prudent Management of Institutional Funds Act of 2006 ("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 donor restricted net assets of a perpetual nature 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

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**Note 10 - Endowment Net Assets: (Continued)**

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>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 15,975	\$ 15,421
Investment (losses) gains	(63)	554
Balance at End of Year	\$ <u>15,912</u>	\$ <u>15,975</u>

**Note 11 – Commitments and Contingencies:**

**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 \$40,043 and \$38,502 for the years ended June 30, 2020 and 2019, respectively, and are included in payroll taxes and benefits in the statements of functional expenses.

**Operating Leases**

KIT leases office facilities in San Diego under an operating lease through December 31, 2021. Rent and other occupancy expenses totaled \$25,179 and \$20,465 for the years ended June 30, 2020 and 2019, respectively.

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

<u>Years Ended June 30</u>	
2021	\$ 13,416
2022	<u>6,708</u>
	<u>\$ 20,124</u>

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**Note 11 – Commitments and Contingencies: (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 \$39,661 and \$69,299 for the years ended June 30, 2020 and 2019, 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.

**Payroll Protection Program Loan**

In April 2020, KIT received a loan totaling \$450,400 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that KIT meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in May 2022. KIT has accounted for the PPP as a conditional contribution and has recognized the \$450,400 as revenue (included in contributions) for the year ended June 30, 2020, since they believe they have satisfied the terms and conditions of forgiveness of the PPP by incurring qualifying expenses as of June 30, 2020.

**Coronavirus Pandemic Contingency**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses. KIT was required to cease in-person operations. The potential impacts to KIT include disruptions or restrictions on employees’ ability to work, and suspension of in-person programs. Changes to the operating environment may also be impacted and may have an impact on operating costs. The future effects of these issues are unknown.