



FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**KIDS INCLUDED TOGETHER
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Kids Included Together

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Included Together as of June 30, 2021 and 2020, 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 8, 2021

**KIDS INCLUDED TOGETHER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current Assets:</u> (Notes 2, 4 and 5)		
Cash and cash equivalents	\$ 1,193,986	\$ 753,197
Investments, at fair value	351,472	337,302
Contracts and other receivables	594,066	265,224
Prepaid expenses and other assets	117,737	108,650
Total Current Assets	<u>2,257,261</u>	<u>1,464,373</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 6, 7 and 8)		
Property, furniture and equipment, net	21,484	11,087
Intangible assets, net	36,207	51,543
Beneficial interest in endowment funds	20,609	15,912
Total Noncurrent Assets	<u>78,300</u>	<u>78,542</u>
TOTAL ASSETS	<u>\$ 2,335,561</u>	<u>\$ 1,542,915</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 12)		
Accounts payable	\$ 37,880	\$ 14,978
Accrued expenses	167,739	166,416
Deferred revenue	701,153	10,376
Total Current Liabilities	<u>906,772</u>	<u>191,770</u>
Total Liabilities	<u>906,772</u>	<u>191,770</u>
<u>Commitments and Contingencies</u> (Notes 9 and 12)		
<u>Net Assets:</u> (Notes 2, 10 and 11)		
Without donor restrictions	1,408,180	1,335,233
With donor restrictions	20,609	15,912
Total Net Assets	<u>1,428,789</u>	<u>1,351,145</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,335,561</u>	<u>\$ 1,542,915</u>

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

**KIDS INCLUDED TOGETHER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Training revenue	\$ 2,172,385	\$ -	\$ 2,172,385	\$ 2,707,295	\$ -	\$ 2,707,295
Contributions	124,977	-	124,977	562,628	-	562,628
Other income	403,819	-	403,819	-	-	-
Investment income, net	14,877	4,697	19,574	17,644	(63)	17,581
Total Revenue and Support	<u>2,716,058</u>	<u>4,697</u>	<u>2,720,755</u>	<u>3,287,567</u>	<u>(63)</u>	<u>3,287,504</u>
Expenses:						
Program Services:						
Program services	<u>2,228,899</u>	<u>-</u>	<u>2,228,899</u>	<u>2,780,305</u>	<u>-</u>	<u>2,780,305</u>
Total Program Services	<u>2,228,899</u>	<u>-</u>	<u>2,228,899</u>	<u>2,780,305</u>	<u>-</u>	<u>2,780,305</u>
Supporting Services:						
Management and general	369,753	-	369,753	374,555	-	374,555
Fundraising	<u>44,459</u>	<u>-</u>	<u>44,459</u>	<u>48,553</u>	<u>-</u>	<u>48,553</u>
Total Supporting Services	<u>414,212</u>	<u>-</u>	<u>414,212</u>	<u>423,108</u>	<u>-</u>	<u>423,108</u>
Total Expenses	<u>2,643,111</u>	<u>-</u>	<u>2,643,111</u>	<u>3,203,413</u>	<u>-</u>	<u>3,203,413</u>
Change in Net Assets	72,947	4,697	77,644	84,154	(63)	84,091
Net Assets at Beginning of Year	<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>
NET ASSETS AT END OF YEAR	<u>\$ 1,408,180</u>	<u>\$ 20,609</u>	<u>\$ 1,428,789</u>	<u>\$ 1,335,233</u>	<u>\$ 15,912</u>	<u>\$ 1,351,145</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, 2021

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 1,614,213	\$ 86,786	\$ 34,714	\$ 121,500	\$ 1,735,713
Payroll taxes and benefits	335,592	18,043	7,217	25,260	360,852
Total Salaries and Related Expenses	1,949,805	104,829	41,931	146,760	2,096,565
<u>Nonsalary Related Expenses:</u>					
Consultants	160,896	117,381	-	117,381	278,277
Depreciation and amortization	21,577	1,192	-	1,192	22,769
Dues and subscriptions	3,744	3,437	-	3,437	7,181
Insurance	-	36,548	-	36,548	36,548
Meeting expense	2,155	1,367	-	1,367	3,522
Merchant service fees	1,103	21,333	456	21,789	22,892
Occupancy	16,386	881	352	1,233	17,619
Office supplies	4,863	256	-	256	5,119
Other business expenses	-	483	-	483	483
Postage and delivery	5,923	-	311	311	6,234
Printing and reproduction	532	532	712	1,244	1,776
Promotions/marketing	11,549	696	697	1,393	12,942
Staff development	2,563	135	-	135	2,698
Technology	43,760	80,562	-	80,562	124,322
Training materials expense	213	-	-	-	213
Travel expense	3,830	121	-	121	3,951
Total Nonsalary Related Expenses	279,094	264,924	2,528	267,452	546,546
Total Expenses	\$ 2,228,899	\$ 369,753	\$ 44,459	\$ 414,212	\$ 2,643,111

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**

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 1,960,758	\$ 132,060	\$ 28,533	\$ 160,593	\$ 2,121,351
Payroll taxes and benefits	375,710	19,809	5,707	25,516	401,226
Total Salaries and Related Expenses	2,336,468	151,869	34,240	186,109	2,522,577
<u>Nonsalary Related Expenses:</u>					
Bad debts	2,099	-	-	-	2,099
Consultants	50,398	82,461	828	83,289	133,687
Depreciation and amortization	23,673	-	1,201	1,201	24,874
Dues and subscriptions	47	1,612	36	1,648	1,695
Insurance	-	32,445	-	32,445	32,445
Meeting expense	8,326	12,978	475	13,453	21,779
Merchant service fees	1,063	24,599	631	25,230	26,293
Occupancy	9,236	15,838	105	15,943	25,179
Office supplies	2,679	1,823	55	1,878	4,557
Other business expenses	-	32	-	32	32
Postage and delivery	11,101	358	377	735	11,836
Printing and reproduction	29,813	1,695	848	2,543	32,356
Promotions/marketing	1,818	-	1,750	1,750	3,568
Staff development	2,939	-	1,025	1,025	3,964
Technology	81,013	32,408	2,746	35,154	116,167
Training materials expense	11,093	3,414	-	3,414	14,507
Travel expense	208,539	13,023	4,236	17,259	225,798
Total Nonsalary Related Expenses	443,837	222,686	14,313	236,999	680,836
Total Expenses	\$ 2,780,305	\$ 374,555	\$ 48,553	\$ 423,108	\$ 3,203,413

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

**KIDS INCLUDED TOGETHER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 77,644	\$ 84,091
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,769	24,874
Realized and unrealized investment gains	(3,467)	(5,617)
Endowment investment (gain) loss	(4,697)	63
(Increase) Decrease in:		
Contracts and other receivables	(328,842)	356,823
Prepaid expenses and other assets	(9,087)	11,468
Increase (Decrease) in:		
Accounts payable	22,902	(19,352)
Accrued expenses	1,323	(4,902)
Deferred revenue	690,777	(4,790)
Net Cash Provided By Operating Activities	<u>469,322</u>	<u>442,658</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments, net	(10,703)	(10,468)
Purchase of property, furniture and equipment	(17,830)	(5,819)
Beneficial interest in endowment funds	(4,697)	63
Net Cash Used in Investing Activities	<u>(33,230)</u>	<u>(16,224)</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment investment gain (loss)	4,697	(63)
Net Cash Used in Financing Activities	<u>4,697</u>	<u>(63)</u>
Net Increase in Cash and Cash Equivalents	440,789	426,371
Cash and Cash Equivalents at Beginning of Year	<u>753,197</u>	<u>326,826</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,193,986</u>	<u>\$ 753,197</u>

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

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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, 2021 and 2020.

Capitalization and Depreciation

KIT capitalizes all expenditures in excess of \$1,000 for property, furniture and equipment at cost, while donations of property, furniture and equipment are recorded at their estimated fair values. Such donations are reported as 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, 2021 AND 2020

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

Property, furniture, and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Equipment	3 - 7 years
Furniture	5 years

Depreciation totaled \$7,433 and \$9,538 for the years ended June 30, 2021 and 2020, 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.

Impairment

Long-lived assets held and used by KIT are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed.

Intangible Assets

Intangible assets consist of costs related to the development of KIT's website and are amortized on the straight-line method over the estimated useful life of five years. The costs of the domain name and management system 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. Amortization totaled \$15,336 for each of the years ended June 30, 2021 and 2020.

Compensated Absences

Accumulated unpaid vacation totaling \$119,470 and \$104,744 at June 30, 2021 and 2020, 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 \$251,340 and \$10,376 at June 30, 2021 and 2020, respectively.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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. 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, 2021 and 2020 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$0 for both of the years ended June 30, 2021 and 2020.

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, 2021, 2020, 2019, and 2018 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns are filed.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 2 - Significant Accounting Policies: (Continued)

Concentrations

Credit Risk

KIT maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. KIT has not experienced any losses in such accounts. KIT believes it is not exposed to any significant credit risk on cash and cash equivalents.

Revenue

KIT has a contract with the Department of Defense through November 30, 2016, with four one-year purchase options through November 30, 2020, which have been exercised. KIT has received a new contract from January 2021 through December 2025. Revenue generated from this contract represented approximately 77% and 75% of total revenue and support for the years ended June 30, 2021 and 2020, 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 2018, the FASB issued ASU 2018-13, *Fair Value Measurement, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This standard removed, modified, and added additional disclosure requirements on fair value measurements, specifically surrounding: (a) the amount of and reasons for transfers between Level 1 and Level 2 investments, (b) the policy for timing of these transfers, (c) the valuation process for Level 3 fair value measurements, and (d) the changes in unrealized gains and losses for the period including earnings on Level 3 fair value measurements held at the end of the reporting period. KIT has adopted this ASU for the year ended June 30, 2021. The adoption had no material effect on the 2021 financial statements.

Subsequent Events

In preparing these financial statements, KIT has evaluated events and transactions for potential recognition or disclosure through December 8, 2021, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,193,986	\$ 753,197
Investments	351,472	337,302
Contracts and other receivables	594,066	265,224
Financial assets available for general expenditures within one year	<u>\$ 2,139,524</u>	<u>\$ 1,355,723</u>

In addition to financial assets available to meet general expenditures over the next 12 months, 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:

	<u>2021</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at June 30, 2021</u>
Exchange traded funds	\$ 62,788	\$ -	\$ -	\$ 62,788
Corporate bonds	-	288,684	-	288,684
Beneficial interest in endowment funds (Note 7)	-	-	20,609	20,609
	<u>\$ 62,788</u>	<u>\$ 288,684</u>	<u>\$ 20,609</u>	<u>\$ 372,081</u>

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 4 - Fair Value Measurements: (Continued)

	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
	\$ 51,342	\$ 285,960	\$ 15,912	\$ 353,214

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:

2021				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 20,609	Valuation of underlying assets as reported by Jewish Community Foundation	Base price	N/A
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

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 5 - Investments:

Investments consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Corporate bonds	\$ 288,684	\$ 262,816
Exchange traded funds	62,788	51,342
U.S. Treasury bonds	-	23,144
Total Investments	<u>\$ 351,472</u>	<u>\$ 337,302</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 12,982	\$ 13,527
Net realized and unrealized gains	3,467	5,617
Investment fees	(1,572)	(1,500)
Total Investment Income	<u>\$ 14,877</u>	<u>\$ 17,644</u>

Note 6 - Property, Furniture and Equipment:

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

	<u>2021</u>	<u>2020</u>
Equipment	\$ 54,181	\$ 36,351
Furniture	24,475	24,475
Subtotal	<u>78,656</u>	<u>60,826</u>
Less: Accumulated depreciation and amortization	(57,172)	(49,739)
Property, Furniture and Equipment, Net	<u>\$ 21,484</u>	<u>\$ 11,087</u>

Note 7 - Intangible Assets:

Intangible assets consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Website	\$ 76,681	\$ 76,681
Domain	19,700	19,700
Management system	8,838	8,838
Subtotal	<u>105,219</u>	<u>105,219</u>
Less: Accumulated amortization	(69,012)	(53,676)
Intangible Assets, Net	<u>\$ 36,207</u>	<u>\$ 51,543</u>

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8 - 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 60% in domestic and international equities, 11% in fixed income, 24% in multi-strategy, and 5% 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>2021</u>	<u>2020</u>
Balance at Beginning of Year	\$ 15,912	\$ 15,975
Investment gain (loss)	<u>4,697</u>	<u>(63)</u>
Balance at End of Year	<u>\$ 20,609</u>	<u>\$ 15,912</u>

Note 9 - Line-of-Credit:

KIT had 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 was terminated in March 2021. There was no outstanding balance on the line-of-credit at June 30, 2021 and 2020.

Note 10 - 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>2021</u>	<u>2020</u>
Perpetual in Nature:		
Endowment (Note 10)	\$ <u>20,609</u>	\$ <u>15,912</u>
Total Net Assets with Donor Restrictions	<u>\$ 20,609</u>	<u>\$ 15,912</u>

**KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
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Note 11 - 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

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>2021</u>	<u>2020</u>
Balance at Beginning of Year	\$ 15,912	\$ 15,975
Investment gain (loss)	<u>4,697</u>	<u>(63)</u>
Balance at End of Year	<u>\$ 20,609</u>	<u>\$ 15,912</u>

Note 12 - Commitments and Contingencies:

Retirement Plan

KIT has established a Simple IRA pension plan. KIT matches employee contributions up to 3% for all participating employees. KIT's contributions totaled \$36,087 and \$40,043 for the years ended June 30, 2021 and 2020, respectively, and are included in payroll taxes and benefits in the statements of functional expenses.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 12 - Commitments and Contingencies: (Continued)

Operating Leases

KIT leases office facilities in San Diego under an operating lease through December 31, 2024. Rent and other occupancy expenses totaled \$17,619 and \$25,179 for the years ended June 30, 2021 and 2020, respectively.

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

<u>Years Ended</u> <u>June 30</u>	
2022	\$ 13,616
2023	13,815
2024	13,815
2025	<u>6,908</u>
	<u>\$ 48,154</u>

License Agreement

KIT has a license agreement with the software company to host their eLearning programs. Payments are made based on the number of users each year. License fees totaled \$37,227 and \$39,661 for the years ended June 30, 2021 and 2020, 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 Coronavirus Aid, Relief, and Economic Security (“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 have satisfied the terms and conditions of forgiveness of the PPP by incurring qualifying expenses as of June 30, 2020.

KIDS INCLUDED TOGETHER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 12 - Commitments and Contingencies: (Continued)

Consolidated Appropriations Act Payroll Protection Program

In January 2021, KIT received a loan totaling \$449,813 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program (“PPP2”). The loan is forgivable to the extent that KIT meets the terms and conditions of the PPP2. Any portion of the loan that is not forgiven bears interest at 1% and is due January 2026. KIT has included the loan totaling \$449,813 in deferred revenue at June 30, 2021. Subsequent to year-end, KIT has satisfied the terms and conditions of forgiveness of the PPP2 and will recognize the \$449,813 as revenue during the year ended June 30, 2022.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. KIT is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on KIT’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on KIT’s donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact KIT’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.