



# Financial Statements

## Think Small

St. Paul, Minnesota

For the year ended June 30, 2021



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Think Small  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Think Small  
St. Paul, Minnesota

We have audited the accompanying financial statements of Think Small (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Think Small as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of ABC Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Think Small's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Think Small's internal control over financial reporting and compliance.



**Abdo**  
Minneapolis, Minnesota  
November 1, 2021



## FINANCIAL STATEMENTS

Think Small  
Statement of Financial Position  
June 30, 2021

Assets	
Current Assets	
Cash and cash equivalents	\$ 2,103,703
Accounts receivable - trade, net	530,906
Program receivables, net	1,718,053
Pledges receivable, net	10,261
Prepaid expenses	143,134
Inventory, net	<u>503,934</u>
Total Current Assets	<u>5,009,991</u>
Property and Equipment	
Land	205,000
Buildings	1,194,275
Building improvements	1,556,627
Furniture and fixtures	360,496
Computers	895,113
Office equipment	<u>134,396</u>
Total Property and Equipment	4,345,907
Less: Accumulated Depreciation	<u>(3,348,901)</u>
Total Property and Equipment, Net	<u>997,006</u>
Other Assets	
Investments	1,896,766
Capitalized development costs, net	1,003,481
Intangible assets, net of amortization of \$22,045	1,366
Security deposits	<u>6,119</u>
Total Other Assets	<u>2,907,732</u>
Total Assets	<u><u>\$ 8,914,729</u></u>

See Independent Auditor's Report and Notes to the Combined Financial Statements.

Think Small  
Statement of Financial Position (Continued)  
June 30, 2021

Liabilities	
Current Liabilities	
Accounts payable	\$ 2,856,395
Accrued salary and related taxes	496,009
Other accrued expenses	32,086
Contract advances	572,612
Deferred revenue	75,946
PPP note payable	449,437
Total Current Liabilities	<u>4,482,485</u>
Net Assets	
Without donor restrictions	4,045,713
With donor restrictions	386,531
Total Net Assets	<u>4,432,244</u>
 Total Liabilities and Net Assets	 <u><u>\$ 8,914,729</u></u>

See Independent Auditor's Report and Notes to the Combined Financial Statements.

**Think Small**  
**Statement of Activities**  
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
Publication sales, net of cost of goods sold of \$988,377	\$ 2,219,024	\$ -	\$ 2,219,024
Program service fees	55,480	-	55,480
Interest and dividends	21,161	-	21,161
Investment income	284,757	-	284,757
Other revenue	97,375	-	97,375
Total Revenue	2,677,797	-	2,677,797
<b>Support</b>			
Contributions	954,137	217,783	1,171,920
In-kind contributions	136,965	-	136,965
Government contracts	21,852,036	-	21,852,036
PPP loan forgiven	449,400	-	449,400
Other contracts	544,059	-	544,059
Net assets released from restriction	332,718	(332,718)	-
Total Support	24,269,315	(114,935)	24,154,380
Total Revenue and Support	26,947,112	(114,935)	26,832,177
<b>Expenses</b>			
Program services	24,881,105	-	24,881,105
Management and general	1,162,165	-	1,162,165
Fundraising	472,476	-	472,476
Total Expenses	26,515,746	-	26,515,746
Change in Net Assets	431,366	(114,935)	316,431
Beginning Net Assets	3,614,347	501,466	4,115,813
Ending Net Assets	\$ 4,045,713	\$ 386,531	\$ 4,432,244

See Independent Auditor's Report and Notes to the Combined Financial Statements.

Think Small  
Statement of Functional Expenses  
For the Year Ended June 30, 2021

	Program Services			Total Program	Management and General	Fundraising	Total
	Prepare Providers	Strengthen Families	Catalyze Change				
Salaries and Benefits							
Salaries	\$ 2,768,435	\$ 1,630,392	\$ 139,606	\$ 4,538,433	\$ 544,352	\$ 255,289	\$ 5,338,074
Payroll taxes	196,845	109,858	9,144	315,847	33,533	16,590	365,970
Employee benefits	329,378	211,818	13,503	554,699	62,562	22,487	639,748
Total Salaries and Benefits	<u>3,294,658</u>	<u>1,952,068</u>	<u>162,253</u>	<u>5,408,979</u>	<u>640,447</u>	<u>294,366</u>	<u>6,343,792</u>
Expenses							
Contract services	117,288	24,434	15,641	157,363	250,344	10,453	418,160
Travel	220	287	56	563	11,070	91	11,724
Conferences, meetings and training	88,628	-	-	88,628	8,239	-	96,867
Supplies	5,805	3,406	726	9,937	5,952	-	15,889
Postage and shipping	252,116	10,921	48	263,085	2,395	997	266,477
Printing and copying	132,586	16,899	210	149,695	7,838	970	158,503
Sales and marketing	479,987	500	-	480,487	5,913	936	487,336
Occupancy	12,635	48,433	-	61,068	4,388	-	65,456
Building maintenance	54,172	35,627	2,648	92,447	56,583	2,933	151,963
Telephone	105,316	43,740	3,382	152,438	-	4,040	156,478
Computer expense	98,715	80,830	5,194	184,739	-	5,714	190,453
Equipment and repairs	102,905	20	-	102,925	11,521	-	114,446
Depreciation and amortization	353,547	73,041	5,353	431,941	46,193	6,032	484,166
Insurance	17,040	11,186	806	29,032	38,014	911	67,957
Professional fees	12,984	810	60	13,854	28,269	80	42,203
Grants	1,844,393	-	-	1,844,393	-	-	1,844,393
Scholarships	4,395	15,330,038	-	15,334,433	-	-	15,334,433
Credit card and bank fees	54,074	-	-	54,074	40,116	3,125	97,315
Interest	3,871	2,525	182	6,578	3,053	199	9,830
In-kind supplies	-	-	-	-	-	136,965	136,965
Miscellaneous	11,243	-	3,203	14,446	1,830	4,664	20,940
Total Expenses	<u>\$ 7,046,578</u>	<u>\$ 17,634,765</u>	<u>\$ 199,762</u>	<u>\$ 24,881,105</u>	<u>\$ 1,162,165</u>	<u>\$ 472,476</u>	<u>\$ 26,515,746</u>

See Independent Auditor's Report and Notes to the Combined Financial Statements.

Think Small  
Statement of Cash Flows  
For the Year Ended June 30, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 316,431
Adjustments to Reconcile Change in Net Assets to Net Cash	
Used by Operating Activities	
PPP loan forgiven	(449,400)
Depreciation and amortization	484,166
Unrealized and realized gains on investments	(296,138)
(Increase) Decrease in Assets:	
Accounts receivable - trade	90,762
Program receivables	1,248,186
Pledges receivable	311,839
Prepaid expenses	11,452
Inventory	(27,792)
Capitalized development costs	(168,151)
Increase (Decrease) in Liabilities	
Accounts payable	366,038
Accrued salary and related taxes	28,189
Other accrued expenses	(349,763)
Contract advances	268,556
Deferred revenue	59,752
Net Cash Provided by Operating Activities	<u>1,894,127</u>
 Cash Flows From Investing Activities	
Purchase of property and equipment	(173,357)
Purchase of investments	(606,612)
Sales of investments	615,043
Net Cash Used by Investing Activities	<u>(164,926)</u>
 Cash Flows From Financing Activities	
Proceeds from PPP note	449,437
Payments on note payable	(426,093)
Net Cash Provided by Financing Activities	<u>23,344</u>
 Net Decrease in Cash and Cash Equivalents	1,752,545
 Cash and Cash Equivalents - Beginning of Year	<u>351,158</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 2,103,703</u>
 Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	<u>\$ 9,829</u>

See Independent Auditor's Report and Notes to the Combined Financial Statements.

Think Small  
Notes to the Financial Statements  
June 30, 2021

## Note 1: Summary of Significant Accounting Policies

### Nature of Organization

Think Small (the Organization) is a nonprofit organization working to advance quality care and education of children in their early years. We use leading-edge knowledge from the early childhood field to create services and tools that support and strengthen the abilities of families and early childhood professionals.

#### *Prepare Providers*

##### Professional Development, Consultation, and Coaching

Think Small provides professional development opportunities focused on the essential elements of providing high-quality care. Opportunities include classes and workshops provided in English, Spanish, Hmong, Somali, Oromo, Amharic, and Karen; individual and site-based consultation and coaching support; business support to help maintain a successful childcare business; and career guidance for certification and licensing. Over 11,000 childcare providers take part in trainings and coaching every year.

##### Community Outreach and Access

Think Small's multilingual Outreach staff connects with historically underserved communities, including those in low-income neighborhoods, English Language Learners (ELL), communities of color, immigrant and refugee families, so they can fully engage in Minnesota's early childhood care and education system. Staff assist nearly 1,000 new immigrant and other families and providers navigating complex government systems, connecting them to resources and services available at Think Small and other organizations. Staff provide language translation and interpretation for providers and families.

##### Publishing

Redleaf Press is our award-winning, international publisher of exceptional early learning curriculum, professional development materials, and business resources. Redleaf publishes more than a dozen new titles every year and has approximately 400 titles in print. Redleaf Press has 56 books translated into 12 different languages. Over 200,000 products are distributed each year to customers both in the U.S. and abroad.

##### Library

Think Small operates a unique early childhood library as a branch of the St. Paul Public Library. Now numbering over 6,500 items, the library's collection is a part of Minnesota's public interlibrary loan system and materials can be delivered to all public libraries statewide.

#### *Strengthen Families*

##### Family Engagement

Think Small ParentPowered texting delivers evidence-based texting messages to parents and caregivers for children birth to five years old. These short text messages encourage parents to do fun and engaging activities with their children to support their development and help assure they will be ready for Kindergarten. Over 10,000 families are currently enrolled.

##### Scholarships and Other Financial Supports

Think Small serves providers and families with targeted financial supports. Annually, Think Small administers over 4,700 eligibility-based scholarships for families to enroll children in quality childcare programs in order to reduce opportunity gaps.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### **Nature of Organization (Continued)**

#### *Catalyze Change*

##### Beanstalk

Think Small has an innovation lab where high-potential services are developed, implemented and when merited, scaled, with the end goal of ensuring every child in Minnesota is ready for kindergarten.

### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

### **Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

#### Net Assets without Donor Restriction (Unrestricted)

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of management and the Board of Directors.

#### Net Assets with Donor Restriction (Restricted)

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Organization had no donor restricted net assets for the year ended June 30, 2021.

### **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in its financial statements and accompanying notes. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all short-term, highly liquid investments and investments purchased with a maturity of three months or less to be considered cash or cash equivalents. The Organization's cash balances held in bank depositories may exceed federally insurance limits at times.

### **Accounts Receivable**

The Organization's accounts receivable are due in less than one year and are recorded at the amount management expects to collect. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts receivable on a quarterly basis. Uncollectible amounts are charged against the allowance for doubtful accounts. The receivables are current and are due in one year or less.

Think Small  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts is established through a provision charged to expense. Accounts receivable are charged against the allowance for doubtful accounts when management believes that the collectability of the balance is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing accounts receivable that may become uncollectible, based on evaluations of the collectability of individual accounts receivable and prior accounts receivable loss experience. The evaluations take into consideration such factors as receivable quality, review of specific problem receivables, and current economic conditions that may affect the client's ability to pay. The allowance for uncollectible trade accounts was \$910 for the year ended June 30, 2021. The allowance for uncollectible program accounts was \$1,000 for the year ended June 30, 2021. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

**Pledges Receivable**

Pledges receivable are stated at the amount management expects to collect. Management review receivable balances annually and establishes an allowance based on expected collections. The allowance for pledges receivable was \$7,369 for the year ended June 30, 2021. All pledges receivable are due within one year as of June 30, 2021.

**Property and Equipment**

The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$5,000 with a future benefit of greater than one year. Depreciation and amortization is charged to activities using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Land	-
Building	20 years
Building Improvements	10 to 20 years
Furniture and Fixtures	5 years
Computers	3 to 7 years
Office Equipment	3 to 15 years

Depreciation expense for the year ended June 30, 2021 was \$239,697.

**Capitalized Development Costs**

Capitalized development costs represent pre-publishing development costs of books. Such costs are amortized over their estimated useful lives which are typically 10 years, though shorter time periods may be used in certain cases. Amortization is 15% per year for the first three years, 10% for the next four years, and 5% for the final three years. Costs associated with discontinued publications are written off and charged to expense in the period discontinued. Amortization expense for the year ended June 30, 2021 was \$242,128.

**Inventory**

Inventory consists of Early Childhood Education books and publications held for resale by the Organization. Such inventory is valued at the lower of cost or net realizable value, with cost being determined by title on an average cost basis. An allowance for excess and obsolete inventory has been recorded for books, which may be unsaleable based on historical data. The allowances for obsolescence was \$206,096 for the year ended June 30, 2021.

Think Small  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Investments and Investment Income**

Investments in equity securities are measured at fair value in the Statement of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in net assets without donor restriction unless the income or loss is restricted by donor or law.

**Revenue Recognition**

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

Government contract funds are generally considered nonexchange transactions and are recorded as revenue when earned as conditions on eligible expenditures are met. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as contract advances if the contract contains conditions. At June 30, 2021, approximately 82% of government contract revenue was from the state of Minnesota. The Organization received government grants of \$8,921,754 that have not been recognized as of June 30, 2021.

Contract revenue relates to amounts received from organization to fund various projects undertaken by the Organization. Revenue related to such contracts is recognized as services are provided over the life of the contract as conditions are met. Expenses are recorded as incurred. Amounts received related to contract revenue and not yet earned are recorded as contract advances if the contract contains conditions.

Revenue from publication sales is recognized at the time of the sale.

**In-Kind Contributions**

Donated materials are recorded as contributions when received, at their estimated fair market value. During the year ended June 30, 2021, the Organization received program supplies of \$136,965. The supplies received are utilized by the Organization.

**Program Service Fees**

Revenue from program service fees is recognized when billed, which approximates when services are provided. Amounts collected in advance of performing the services are recorded at year-end as deferred revenue. Program service fees are displayed net of cost of goods sold on the statement of activities.

**Functional Expense Allocation**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expense presents the natural classification detail of expenses by function. In the absence of specific identification, expenses have been allocated based on staff time spent in each category and space. The time allocations are based on estimates made by management.

**Shipping and Handling**

Think Small records shipping and handling costs to postage and shipping expense. Shipping and handling was \$94,839 for the year ended June 30, 2021.

Think Small  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

Think Small is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.

**Advertising**

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$80,132 for the year ended June 30, 2021.

**Subsequent Events**

Subsequent events were evaluated through November 1, 2021, which is the date the financial statements were available to be issued.

**New Accounting Pronouncements**

In March 2016, the FASB issued ASU No. 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization for the year ended June 30, 2023. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its financial statements at this time.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

**Note 2: Concentration of Credit Risk**

From time to time, Think Small's cash balances at financial institutions may exceed the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. Management does not believe this presents a significant risk to the Organization. The unsecured cash balance for Think Small was \$1,658,032 for the year ended June 30, 2021.

Think Small  
Notes to the Financial Statements  
June 30, 2021

**Note 3: Fair Value Measurements**

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs to the valuation methodologies used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

**Level 3** - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodology used for assets measured at fair value.

*Money Market Funds* - Valued at \$1 per share.

*Exchange Traded Funds, Closed End Funds* – Investments in mutual funds and stocks, valued at market value.

*Net Unsettled Purchases and Sales* – Uncompleted purchases and sales valued at expected execution price

Financial assets recorded in the statement of financial position are categorized based on the inputs to the valuation technique as follows:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 19,465	\$ -	\$ -	\$ 19,465
Exchange Traded Funds, Closed End Funds	1,081,379	-	-	1,081,379
Net Unsettled Purchases and Sales	1,826	-	-	1,826
Total	\$ 1,102,670	\$ -	\$ -	1,102,670
Investments Accounted for at Net Asset Value				794,096
Total Assets at Fair Value				\$ 1,896,766

Think Small  
Notes to the Financial Statements  
June 30, 2021

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

Assets measured using net asset value per share (or its equivalent)

Think Small values certain investment holdings at fair value using their net asset value and has the ability to redeem its investments with the investee at the net asset value per share (or its equivalent) at the measurement date.

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2021 are as follows:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Whitebox Relative Value Fund, Ltd.	\$ 623,179	\$ -	Quarterly	60 Days
Whitebox Credit Fund, Ltd.	170,917	-	Quarterly	60 Days
Total	<u>\$ 794,096</u>	<u>\$ -</u>		

Whitebox Relative Value Fund, LTD. (The Relative Value Fund) is a “feeder” entity in a “master-feeder” structure, whereby the Relative Value Fund invests substantially all of its assets in Whitebox Relative Value Partners, L.P. (the Relative Value Master Fund). The Relative Value Master Fund’s investment objective is to provide superior short-term, risk-adjusted returns through a convertible arbitrage trading strategy. To accomplish this, the Relative Value Master Fund invests primarily in convertible debt, equity and other securities of the United States issuers. In addition to its investment in the Relative Value Master Fund, the Relative Value Fund holds an investment in an affiliated limited liability company. The fair value of the fund has been estimated using the net asset value per share of the investments.

Whitebox Credit Fund, Ltd. (the Credit Fund) is a “feeder” entity in a “master-feeder” structure, whereby the Credit Fund invests substantially all of its assets in Whitebox Credit Partner, L.P. (the Credit Master Fund). The Credit Master Fund’s investment objective is to provide superior short-term, risk-adjusted returns through an arbitrage trading strategy using convertible debt, equity, and other securities. In addition to its investment in the Credit Master Fund, the Credit Fund holds an investment in an affiliated limited liability company and a derivative contract. The fair value of the fund has been estimated using the net asset value per share of the investments.

**Note 4: Paycheck Protection Program Notes**

In April 2020, the Organization entered into a promissory note agreement in the amount of \$449,400 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES) and governed by the Small Business Administration (SBA). The note accrues interest at one percent per annum and is scheduled to mature in April 2022. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within the qualified period (generally 24 weeks after receiving the funds). The loan was forgiven 100% in December of 2020 and recorded on the Statement of Activities.

In March 2021, the Organization entered into a promissory note agreement in the amount of \$449,437 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES) and governed by the Small Business Administration (SBA). The note accrues interest at one percent per annum and is scheduled to mature in March 2023. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within the qualified period (generally 24 weeks after receiving the funds). The Organization expects the loan to be fully forgiven.

**Note 5: Line of Credit**

Think Small has a \$1,000,000 revolving line of credit with Bremer Bank with an interest rate of 3.25% and a maturity date of November 30, 2021. The line of credit is secured by all inventory, chattel paper, accounts receivable, equipment and general intangibles. There was no outstanding balance at June 30, 2021.

Think Small  
Notes to the Financial Statements  
June 30, 2021

**Note 6: Leases**

Expenses under leases for the year ended June 30, 2021 totaled \$69,775. Cash payments for future rental commitments are as follows:

Year Ended June 30,	Amount
2022	\$ 99,019
2023	100,437
2024	98,553
2025	70,038
2026	4,125
Total	<u>\$ 372,172</u>

**Note 7: Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes as of June 30:

Think Small Institute	\$ 213,153
Time Restricted	128,378
Policy, Advocacy and Initiatives	15,000
Professional Development, Consultation and Coaching	<u>30,000</u>
Total	<u>\$ 386,531</u>

**Note 8: Prior Period Net Asset Restatement**

During the course of the current fiscal year ending June 30, 2021, the Organization discovered contract advance liabilities that should have been recognized in prior periods. As such a prior period adjustment was made to increase ending net assets without donor restriction ending June 30, 2020 by \$920,000. As a result, the beginning net assets without donor restrictions has been restated for the year ending June 30, 2021.

**Note 9: Pension Plan**

Think Small has a 401(k) plan for eligible employees. Eligibility for this plan requires one month of employment and attainment of age 18. During the year ended June 30, 2021, Think Small contributed \$186,933 on behalf of its employees.

**Note 10: Commitments and Contingencies**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies principally the federal government passed through the state of Minnesota and Ramsey County. Such audits could result in claims against Think Small for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at November 1, 2021.

Think Small  
Notes to the Financial Statements  
June 30, 2021

**Note 11: Solar Capital Lease Agreement**

In February 2017, Think Small entered into Solar Array Capital Lease Agreements. The terms of the agreement stipulate that Think Small is the fee title owner of a Rooftop Ballasted Solar Array installed in June 2017. In exchange, Think Small has assigned its tax and energy rebates to the lessee and agrees to purchase power produced by the solar panels at a pre-negotiated rate. The duration of the contract is 20 years, with the last payment due in the year 2037, with an available early termination clause. In a related agreement, Think Small has agreed to lease the solar array and the premises occupied by the panels to the lessee for a term equal to the Power Purchase agreement for a combined total of \$50 per year.

**Note 12: Liquidity and Availability of Resources**

The Organization has the following assets available to meet financial needs for one year:

Financial Assets	
Cash and cash equivalents	\$ 2,103,703
Accounts receivable - trade, net	530,906
Program receivables - net	1,718,053
Pledges receivable	10,261
Total Financial Assets	<u>4,362,923</u>
Less: Net Assets with Donor Restrictions	(386,531)
Plus Time-Restricted Net Assets Available Within One Year	<u>128,378</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,104,770</u>

As part of our liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. Per its operating reserve, the Organization strives to have \$1.2 million as an operating reserve to provide short-term financial stability during an unexpected financial challenge.

**Note 13: COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. The Organization does not believe it will have a material impact to operations.

## OTHER REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Think Small  
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Think Small (the Organization) which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Abdo**  
Minneapolis, Minnesota  
November 1, 2021



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Think Small  
Minneapolis, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Think Small's (the Organization), (a Minnesota not-for-profit corporation), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts, and terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021

## Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Abdo**  
Minneapolis, Minnesota  
November 1, 2021



**Think Small**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Grantor/Program Title Pass-Through Grantor/Pass-Through Entity Identifying Number	Federal Domestic Assistance Number	Pass-Through Identification Number	Pass- Through Federal Expenditures	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>				
Child Care Cluster:				
Child Care Development Block Grant Passed-Through State of Minnesota:	93.575	2001MNCCDD	\$ 4,423,429	\$ 4,423,429
<i>Total US Dept of Health and Human Services:</i>			<u>4,423,429</u>	<u>4,423,429</u>
<b>U.S. Department of Education:</b>				
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Passed-Through State of Minnesota	84.425	S425C210015	19,863	19,863
<i>Total U.S. Department of Education:</i>			<u>19,863</u>	<u>19,863</u>
Total Federal Expenditures			<u>\$ 4,443,292</u>	<u>\$ 4,443,292</u>

Think Small  
Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2021

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, and *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Pass-Through Entity Identifying Numbers**

Pass-through entity identifying numbers are presented where available.

**Note 4: Subrecipients**

Federal expenditures provided to subrecipients are presented separately in the Schedule of Expenditures of Federal Awards.

**Note 5: Indirect Cost Rate**

During the year ended June 30, 2021, the Organization did not elect to use the 10% de minimis indirect cost rate.

**Think Small**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2021

**Section I - Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No

Identification of Major Federal Programs:

	<b>Federal CFDA Number</b>
Child Care and Development Block Grant	93.575
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	No

**Section II - Findings - Financial Statement Audit**

There are no significant deficiencies, material weaknesses, or instances of material noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**Section III - Findings and Questioned Costs - Major Federal Award Programs Audit**

There are no significant deficiencies, material weaknesses, or instances of material noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

**Other Issues**

See the following page for the Summary Schedule of Prior Audit Findings.

A Corrective Action Plan is not required because there were no current year findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.

Think Small  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**FINDING 2020-003: Material Weakness in Internal Controls over Compliance**

*Condition:* This finding was a material weakness noted in the June 30, 2020 audit that the Organization changed processes for wage rate approvals to an electronic approval starting in January 2020. However, auditor noted six instances (out of a sample of 15) of no approvals on the wage rates. Auditor also tested one employee who was paid an incorrect wage rate on the payroll report.

*Recommendation:* The auditor recommended that the employee's supervisor review and document approval on their wage rate. Further, auditor recommended that employee's wages rates are reviewed when entered into the payroll system, to ensure that an individual is being paid the correct amount.

*Current Status:* The recommendation was adopted during the 2021 fiscal year and no similar findings were noted in the 2021 fiscal year-end audit.