

THINK SMALL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

**THINK SMALL
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Think Small
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Think Small, which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Auditors' 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 auditors' 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.

Board of Directors
Think Small

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, 2016 and 2015, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of changes in net assets by program, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 10, 2016

THINK SMALL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,573,665	\$ 2,812,654
Accounts Receivable - Trade, Net	717,719	559,233
Program Receivables - Net	6,468,613	3,153,868
Pledges Receivable	824,830	66,494
Prepaid Expenses	177,467	201,247
Inventory, Net	624,619	633,766
Total Current Assets	10,386,913	7,427,262
NONCURRENT ASSETS		
Investments	1,361,477	1,361,098
Capitalized Development Costs, Net	1,164,852	1,081,407
Intangible Assets, Net	13,071	15,412
Security Deposits	12,400	12,400
Property and Equipment, Net	1,391,419	1,470,206
Total Noncurrent Assets	3,943,219	3,940,523
Total Assets	\$ 14,330,132	\$ 11,367,785
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Note Payable	\$ 25,261	\$ 21,682
Accounts Payable	2,045,254	1,643,523
Accrued Salary and Related Taxes	484,312	438,427
Other Accrued Expenses	2,045,940	1,797,326
Contract Advances	3,585,108	2,605,296
Deferred Revenue	82,488	20,473
Total Current Liabilities	8,268,363	6,526,727
LONG-TERM NOTE PAYABLE	379,729	393,400
Total Liabilities	8,648,092	6,920,127
NET ASSETS		
Unrestricted	4,024,030	3,943,198
Temporarily Restricted	1,658,010	504,460
Total Net Assets	5,682,040	4,447,658
Total Liabilities and Net Assets	\$ 14,330,132	\$ 11,367,785

See accompanying Notes to Financial Statements.

**THINK SMALL
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	\$ 707,624	\$ 1,866,355	\$ 2,573,979
In-Kind Contributions	928	-	928
Government Contracts	27,444,081	-	27,444,081
Other Contracts	62,500	-	62,500
Program Service Fees	501,345	-	501,345
Publication Sales	3,702,669	-	3,702,669
Interest and Dividends	2,368	-	2,368
Unrealized Gains on Investments	5,778	-	5,778
Other Revenue	91,048	-	91,048
Net Assets Released from Restriction Upon Satisfaction of Time and Program Restrictions	712,805	(712,805)	-
Total Revenues and Support	<u>33,231,146</u>	<u>1,153,550</u>	<u>34,384,696</u>
EXPENSES			
Program Expenses:			
Professional Development, Consultation, and Coaching	2,657,764	-	2,657,764
Community Outreach and Access	501,412	-	501,412
Publishing	3,344,671	-	3,344,671
Library	73,411	-	73,411
Family Education and Referral	228,145	-	228,145
Scholarships and Other Financial Supports	24,642,022	-	24,642,022
Policy, Advocacy, and Initiatives	249,951	-	249,951
Total Program Services	<u>31,697,376</u>	<u>-</u>	<u>31,697,376</u>
Support Services:			
Management and General	1,087,709	-	1,087,709
Fundraising	365,229	-	365,229
Total Support Services	<u>1,452,938</u>	<u>-</u>	<u>1,452,938</u>
Total Expenses	<u>33,150,314</u>	<u>-</u>	<u>33,150,314</u>
CHANGE IN NET ASSETS	80,832	1,153,550	1,234,382
Net Assets - Beginning of Year	<u>3,943,198</u>	<u>504,460</u>	<u>4,447,658</u>
NET ASSETS - END OF YEAR	<u>\$ 4,024,030</u>	<u>\$ 1,658,010</u>	<u>\$ 5,682,040</u>

See accompanying Notes to Financial Statements.

2015		
Unrestricted	Temporarily Restricted	Total
\$ 632,065	\$ 537,411	\$ 1,169,476
7,560	-	7,560
19,945,524	-	19,945,524
15,000	-	15,000
435,606	-	435,606
3,493,373	-	3,493,373
4,200	-	4,200
21,456	-	21,456
106,075	-	106,075
<u>495,409</u>	<u>(495,409)</u>	<u>-</u>
<u>25,156,268</u>	<u>42,002</u>	<u>25,198,270</u>
2,304,571	-	2,304,571
477,640	-	477,640
3,253,231	-	3,253,231
72,306	-	72,306
270,193	-	270,193
17,139,098	-	17,139,098
185,430	-	185,430
<u>23,702,469</u>	<u>-</u>	<u>23,702,469</u>
945,491	-	945,491
305,292	-	305,292
<u>1,250,783</u>	<u>-</u>	<u>1,250,783</u>
<u>24,953,252</u>	<u>-</u>	<u>24,953,252</u>
203,016	42,002	245,018
<u>3,740,182</u>	<u>462,458</u>	<u>4,202,640</u>
<u>\$ 3,943,198</u>	<u>\$ 504,460</u>	<u>\$ 4,447,658</u>

THINK SMALL
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 3,763,238	\$ 643,809	\$ 221,955	\$ 4,629,002
Payroll Taxes	283,529	46,454	15,995	345,978
Employee Benefits	543,477	51,969	20,203	615,649
Total Salaries and Benefits	<u>4,590,244</u>	<u>742,232</u>	<u>258,153</u>	<u>5,590,629</u>
Contract Services	884,145	160,967	48,646	1,093,758
Travel	77,156	27,246	7,843	112,245
Conferences, Meetings, and Training	51,547	14,740	1,918	68,205
Supplies	21,813	2,530	2,299	26,642
Postage and Shipping	379,055	2,849	1,278	383,182
Printing and Copying	274,041	8,172	6,818	289,031
Sales and Marketing	455,421	5,995	3,037	464,453
Occupancy	189,026	4,451	670	194,147
Building Maintenance	94,983	9,786	3,994	108,763
Telephone	63,837	8,740	2,039	74,616
Computer Expense	80,584	15,299	6,498	102,381
Equipment and Repairs	20,043	377	606	21,026
Depreciation and Amortization	375,103	23,862	5,925	404,890
Insurance	31,391	25,664	1,120	58,175
Professional Fees	22,068	22,821	-	44,889
Grants	966,194	9	-	966,203
Scholarships	21,841,817	-	-	21,841,817
Bad Debts	37,806	-	12,300	50,106
Credit Card and Bank Fees	39,806	7,402	585	47,793
Interest	15,142	1,640	521	17,303
In-Kind Supplies	698	-	230	928
Subscriptions and Dues	1,165	2,875	575	4,615
Miscellaneous	214	52	174	440
Total	<u>30,513,299</u>	<u>1,087,709</u>	<u>365,229</u>	<u>31,966,237</u>
Cost of Sales	1,184,076	-	-	1,184,076
Total	<u>\$ 31,697,375</u>	<u>\$ 1,087,709</u>	<u>\$ 365,229</u>	<u>\$ 33,150,313</u>

See accompanying Notes to Financial Statements.

2015

Program Services	Management and General	Fundraising	Total
\$ 3,347,273	\$ 536,584	\$ 234,307	\$ 4,118,164
251,617	38,366	16,764	306,747
493,840	51,016	16,817	561,673
<u>4,092,730</u>	<u>625,966</u>	<u>267,888</u>	<u>4,986,584</u>
1,168,551	126,600	4,186	1,299,337
85,979	18,757	1,751	106,487
32,790	12,090	200	45,080
28,840	2,478	1,104	32,422
358,967	2,136	822	361,925
256,721	9,964	6,712	273,397
409,718	4,849	659	415,226
182,169	5,564	874	188,607
98,755	10,221	4,897	113,873
58,035	7,453	1,831	67,319
85,994	12,153	5,350	103,497
19,327	215	108	19,650
387,831	33,683	6,552	428,066
27,597	24,313	1,044	52,954
8,468	23,331	-	31,799
873,722	-	-	873,722
14,289,544	-	-	14,289,544
12,932	1,045	5	13,982
43,222	8,079	597	51,898
15,544	1,975	642	18,161
60	7,500	-	7,560
3,420	2,673	40	6,133
456	4,446	30	4,932
<u>22,541,372</u>	<u>945,491</u>	<u>305,292</u>	<u>23,792,155</u>
1,161,097	-	-	1,161,097
<u>\$ 23,702,469</u>	<u>\$ 945,491</u>	<u>\$ 305,292</u>	<u>\$ 24,953,252</u>

THINK SMALL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,234,382	\$ 245,018
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	197,439	206,176
Amortization	207,451	221,890
Unrealized Gains on Investments	(5,778)	(21,456)
Changes in Certain Assets and Liabilities:		
Accounts Receivable - Trade	(158,486)	(104,065)
Program Receivables	(3,314,745)	1,607,620
Pledges Receivable	(758,336)	252,110
Prepaid Expenses	23,780	8,265
Inventory	9,147	(56,511)
Capitalized Development Costs	(288,555)	(283,286)
Accounts Payable	401,731	(639)
Accrued Salary and Related Taxes	45,885	35,630
Other Accrued Expenses	248,614	(1,349,828)
Contract Advances	979,812	1,285,743
Deferred Revenue	62,015	(4,176)
Net Cash Provided (Used) by Operating Activities	(1,115,644)	2,042,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(118,652)	(40,664)
Purchase of Investments	(213,048)	(194,479)
Sales of Investments	218,447	200,000
Net Cash Used by Investing Activities	(113,253)	(35,143)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	12,945	-
Payments on Note Payable	(23,037)	(20,884)
Net Cash Used by Financing Activities	(10,092)	(20,884)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,238,989)	1,986,464
Cash and Cash Equivalents - Beginning of Year	2,812,654	826,190
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,573,665	\$ 2,812,654
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 17,303	\$ 18,161

See accompanying Notes to Financial Statements.

**THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 DESCRIPTION OF ORGANIZATION

Think Small is a nonprofit organization working to raise the standard of care for children so they can grow emotionally, socially, physically, and intellectually and contribute to building a thriving and sustainable society. Coupled with the tagline "Leaders in Early Learning," the Think Small name communicates the organization's commitment to the education of Minnesota's smallest children.

Think Small uses 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. These include the following:

Preparing Early Childhood Professionals

Professional Development, Consultation, and Coaching

Think Small provides metro-wide professional development opportunities focused on the essential elements of high quality care. Opportunities include: classes and workshops provided in English, Spanish, Hmong, Somali, Oromo, Amharic, and Korean; individual and site-based consultation and coaching support; business support to help maintain successful child care businesses; and career guidance for certification and licensing. In fiscal year 2016 over 1,800 trainings were held with total enrollment of 27,287.

Community Outreach and Access

Think Small's multilingual Outreach staff connects with historically underserved communities, including those in low income neighborhoods, English Language Learners, communities of color, and immigrant and refugee families so they can fully engage in Minnesota's early childhood care and education system. Outreach staff work to expand the reach of Think Small services and identify needs and gaps within these communities. Staff assists families and providers navigating complex government systems, connecting them to resources and services available at Think Small and other organizations.

Publishing

A leading publisher of curriculum, management, professional development, and business resources for adults who care for, teach, and nurture young children, Redleaf Press publishes on a broad range of topics. These products are designed to assist early childhood professionals in using stimulating, child-centered practices based on sound and proven theory about learning and child development. Redleaf publishes between 24 and 30 new titles a year and has more than 275 titles in print. Approximately 193,000 products are distributed annually to customers both in the U.S. and abroad. Redleaf books are translated into 14 different languages, with over 40 books in translation. Over 50% of titles have been converted into e-books and other digital formats. Redleaf Press books are being used in more than 90 foreign countries. Approximately 750,000 catalogs are mailed to customers annually.

Library

The Debra S. Fish Early Childhood Library at Think Small is available statewide. Now numbering over 5,900 items, the library's collection is a part of Minnesota's public interlibrary loan system and materials can be delivered to all local libraries.

**THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 DESCRIPTION OF ORGANIZATION (CONTINUED)

Strengthening Families

Family Education and Referral

Referral specialists ensure that families are aware of the importance of school readiness and they provide vital information on how to identify the best care and early education options for their children. Referral specialists directly served approximately 2,200 families, with 27% being non-English speaking. Referrals from Think Small to the parentawareratings.org provider search website resulted in 10,264 sessions.

Scholarships and Other Financial Supports

Think Small serves providers and families with targeted financial supports. Think Small administers nearly 5,300 eligibility-based scholarships for families to enroll children in programs with Parent Aware quality ratings. We administer Basic Sliding Fee Child Care Assistance for eligible low-income families in Ramsey County. We connect providers with quality improvement grants and emergency funding for early childhood programs.

Catalyzing Change

Policy, Advocacy, and Initiatives

Think Small works across the state activating field leaders and other stakeholders across systems on issues that concern our youngest children. This includes civic engagement and parent empowerment training in a number of diverse cultural, refugee, and immigrant communities. Think Small also plays an important role in advancing policy initiatives such as Parent Aware and Early Learning Scholarships. By leading from the development of policy concepts through the piloting stages and helping take promising initiatives to scale, the agency has helped improve access to quality early learning opportunities and helped build accountability in the system.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

Think Small prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned, and expenses when obligations are incurred.

**THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

Unrestricted Net Assets – Represent the portion of net assets that are not subject to donor restrictions.

Temporarily Restricted Net Assets – Arise from contributions that are restricted by donors for specific purposes or time periods.

Permanently Restricted Net Assets – Arise from contributions with restrictions from donors that do not expire and that allow, in certain cases, only the income earned thereon to be expended. At this time, Think Small has no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash or short-term investments with an original maturity of three months or less are considered to be cash equivalents, except cash restricted for long-term purposes is not considered a cash equivalent.

Concentrations of Credit Risk

Think Small maintains several bank accounts at one financial institution which are insured by the Federal Deposit Insurance Corporation up to \$250,000. Although at times the amount on deposit in these accounts may exceed the federally insured limit, Think Small has never experienced any losses.

Receivables

Accounts receivable - trade and program receivables are stated at the amount management expects to collect. Management reviews receivable balances quarterly and establishes an allowance based on expected collections. The program receivables are all current and are due in one year or less. The accounts receivable – trade aging is as follows:

	2016	2015
Current	\$ 469,341	\$ 449,915
1-30 Days Due	182,615	90,832
31-60 Days Due	15,373	8,725
61-90 Days Due	12,417	7,012
90+ Days Due	74,500	5,498
Total Face Value of Accounts Receivable - Trade	<u>754,246</u>	<u>561,982</u>
Less: Allowance for Uncollectible Accounts	(36,527)	(2,749)
Total Accounts Receivable - Trade	<u>\$ 717,719</u>	<u>\$ 559,233</u>

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 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 accounts was \$36,527 and \$2,749 for the years ended June 30, 2016 and 2015, respectively.

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 reviews receivable balances annually and establishes an allowance based on expected collections. The pledges receivable aging is as follows:

	2016
2017	\$ 455,305
2018	260,875
2019	120,850
2020	100
Total Pledges Receivable	837,130
Less: Allowance for Uncollectible Accounts	(12,300)
Total Pledges Receivable, Net	\$ 824,830

Inventory

Inventory consists of Early Childhood Education books and publications held for resale by Think Small. Such inventory is valued at the lower of cost or market, 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 are \$74,457 and \$41,998 at June 30, 2016 and 2015, respectively.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value based either on quoted market prices, or for certain investments with no readily available quoted market prices, on fair values as determined by management based on review of inputs provided by the investment manager on a monthly basis. Realized and unrealized gains and losses are recorded within the period in which they occur and are reported as changes in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Realized and unrealized gains and losses are included in the statement of activities. Marketable securities contributed by donors are recorded at fair market value at the time of the contribution.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. Think Small has elected to measure all investments at fair value. Think Small may elect to measure newly acquired financial instruments at fair value in the future.

Fair Value Measurements

Think Small measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Think Small may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The fair value measurement categorizes the inputs used to measure the fair value into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Think Small has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Inputs that are unobservable. Unobservable inputs reflect Think Small's own assumptions about the factors market participants would use in pricing investments, and is based on the best information available in the circumstances.

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.

Property and Equipment

Property and equipment are carried at cost, with the exception of donated items, which are recorded at estimated fair market value at the date of gift. Think Small capitalizes all items over \$1,000 which provides a future benefit of more than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized. Management annually reviews these assets to determine whether carrying values have been impaired.

Absent explicit donor restrictions regarding how long-lived donated assets must be maintained, Think Small reports the expiration of donor restrictions when the donated or acquired assets are placed in service.

Contribution Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to give to Think Small. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets and transferred to unrestricted net assets when the restriction expires or the condition is met.

Government Contracts

Government contract funds are generally considered exchange transactions and are recorded as revenue when earned. 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. At June 30, 2016 and 2015, approximately 78% and 91% of government contract revenue was from the state of Minnesota, respectively.

Other Contract Revenue

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

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Donated materials are recorded as contributions, when received, at their estimated fair market value. During the years ended June 30, 2016 and 2015, Think Small received program supplies of \$255 and \$60, respectively.

Contributed Services

Unpaid volunteers have made contributions of their time to Think Small's programs. The fair value of this contributed time is reflected in these statements only if the services create or enhance non-financial assets or require specialized skills and would typically need to be purchased if not provided by donation. Think Small received \$673 and \$7,500 of contributed services for the years ended June 30, 2016 and 2015, respectively.

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 as accounts payable.

Functional Expenses

Expenses have been recorded in program service and support service categories based on specific identification. 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 \$127,672 and \$116,723 in the years ended June 30, 2016 and 2015, respectively.

Income Taxes

Think Small is a Minnesota nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable Minnesota Statutes, except to the extent it has taxable income from businesses that are not related to its exempt purpose. Management believes Think Small did not have any unrelated business income in the years ended June 30, 2016 or 2015.

Think Small follows the income tax standard regarding the recognition and measurement of uncertain tax positions. Think Small is not aware of any uncertain tax positions it has taken. Think Small is not currently under examination by any taxing jurisdiction. Federal and state tax authorities have the right to examine returns for a period of three years after they are filed.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, Think Small has evaluated events and transactions for potential recognition or disclosure through October 10, 2016, the date the financial statements were available to be issued.

NOTE 3 INVESTMENTS

Think Small's investments consist of the following as of June 30:

	2016	2015
Whitebox Relative Value Fund, Ltd.	\$ 362,717	\$ 334,391
Whitebox Credit Fund, Ltd.	282,064	297,030
Whitebox Long Short Equity Fund, Ltd.	-	39,548
Money Market Funds	59,666	103,787
Exchange Traded Funds, Closed End Funds	459,708	485,426
Corporate Fixed Income	197,322	100,916
Total	<u>\$ 1,361,477</u>	<u>\$ 1,361,098</u>

NOTE 4 FAIR VALUE MEASUREMENTS

Think Small uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Think Small values assets and liabilities, refer to Note 2 - Summary of Significant Accounting Policies.

Fair values of marketable securities measured on a recurring basis at June 30, 2016 and 2015 are as follows:

<u>June 30, 2016</u>	Total	Level 1	Level 2
Whitebox Relative Value Fund, Ltd.	\$ -	\$ -	\$ -
Whitebox Credit Fund, Ltd.	-	-	-
Investments Accounted for at Net Asset Value	\$ 644,781	\$ -	\$ -
Money Market Funds	59,666	59,666	-
Corporate Fixed Income	197,322	197,322	-
Exchange Traded Funds, Closed End Funds	459,708	459,708	-
Total	<u>\$ 1,361,477</u>	<u>\$ 716,696</u>	<u>\$ -</u>
<u>June 30, 2015</u>	Total	Level 1	Level 2
Investments Accounted for at Net Asset Value	\$ 670,969	\$ -	\$ -
Money Market Funds	103,787	103,787	-
Corporate Fixed Income	100,916	100,916	-
Exchange Traded Funds, Closed End Funds	485,426	485,426	-
Total	<u>\$ 1,361,098</u>	<u>\$ 690,129</u>	<u>\$ -</u>

**THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4 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, 2016 and 2015 are as follows:

2016				
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Whitebox Relative Value Fund, Ltd.	\$ 362,717	\$ -	Quarterly	60 Days
Whitebox Credit Fund, Ltd.	282,064	-	Quarterly	60 Days
Total	\$ 644,781	\$ -		
2015				
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Whitebox Relative Value Fund, Ltd.	\$ 334,391	\$ -	Quarterly	60 Days
Whitebox Credit Fund, Ltd.	297,030	-	Quarterly	60 Days
Whitebox Long Short Equity Fund, Ltd	39,548	-	Monthly	60 Days
Total	\$ 670,969	\$ -		

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 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.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured Using Net Asset Value per Share (or its Equivalent) (Continued)

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.

Whitebox Long Short Equity Fund, Ltd. (the Equity Fund) is a White-box managed registered mutual fund. The Mutual Fund will issue shares to the Master Fund with a new asset value (NAV) equal to the value of the Master Fund’s net assets the Mutual Fund will acquire. As the sole investors in the Master Fund, Whitebox L/S Equity Fund, L.P. (the Onshore Fund) and its affiliated offshore fund, Whitebox L/S Equity Fund, Ltd. (the Offshore Fund) became the beneficial owners of the newly issued Mutual Fund shares. Investors in the Onshore Fund and the Offshore Fund as of the date of the reorganization received Mutual Fund shares equal in value to their current investments.

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

	<u>2016</u>	<u>2015</u>	<u>Useful Lives</u>
Land	\$ 205,000	\$ 205,000	-
Building	1,194,275	1,194,275	20 Years
Building Improvements	1,537,914	1,506,874	10 - 20 Years
Leasehold Improvements	8,150	8,150	5 Years
Computers	566,118	487,707	3 - 7 Years
Office Equipment	430,164	422,693	3 - 15 Years
Total	<u>3,941,621</u>	<u>3,824,699</u>	
Less: Accumulated Depreciation	<u>(2,550,202)</u>	<u>(2,354,493)</u>	
Net Property and Equipment	<u>\$ 1,391,419</u>	<u>\$ 1,470,206</u>	

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 6 NOTE PAYABLE

The note payable consists of a mortgage payable to Bremer Bank in the original amount of \$518,245 with interest at 5.84%. The mortgage was refinanced on November 14, 2012 with an interest rate of 4.20%. The mortgage is payable in monthly principal and interest installments of \$3,254 through October 29, 2017, at which time all outstanding principal and interest will be due. The note is secured by the land and the building.

On December 1, 2015, Think Small entered into a promissory note of \$12,945 with 0% interest to finance exterior lighting. The note is payable in monthly installments of \$215.76 starting January 1, 2016 and continuing through December 1, 2020.

Maturities of the note payables are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 25,261
2018	373,256
2019	2,589
2020	2,589
2021	1,295
Total	<u>\$ 404,990</u>

NOTE 7 LINE OF CREDIT

Think Small has a \$1,000,000 revolving line of credit with Bremer Bank with an interest rate of 3.50% and maturity date of October 29, 2017. The line of credit is secured by all inventory, chattel paper, accounts receivable, equipment, and general intangibles. At June 30, 2016 and 2015, there were no outstanding advances on the line of credit.

In April 2014, Think Small established a \$273,000 portfolio loan with Morgan Stanley with interest at the prime rate, not to drop below 4% at any time. The portfolio loan is secured by the holdings at Morgan Stanley. At June 30, 2016 and 2015, there were no outstanding advances on the portfolio loan.

NOTE 8 LEASES

Rental commitments under noncancelable leases for office space and equipment in effect at June 30, 2016 totaled \$332,020. Expenses under leases for the years ended June 30, 2016 and 2015 totaled \$106,302 and \$106,024, respectively. The cash payments for future rental commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 65,462
2018	106,408
2019	111,995
2020	39,187
2021	8,968
Total	<u>\$ 332,020</u>

**THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes as of June 30:

	2016	2015
General Operations - Time Restricted	\$ 573,175	\$ 100,000
Professional Development, Consultation, and Coaching	1,070,703	389,460
Community Outreach and Access	4,102	15,000
Library	10,030	-
Total	<u>\$ 1,658,010</u>	<u>\$ 504,460</u>

Releases from temporarily restricted net assets consisted of the following for the years ended June 30:

	2016	2015
General Operations - Time Restricted	\$ 100,000	\$ 203,604
Professional Development, Consultation, and Coaching	573,429	239,653
Policy, Advocacy and Initiatives	20,898	15,000
Publishing	6,828	14,491
Library	11,650	22,661
Total	<u>\$ 712,805</u>	<u>\$ 495,409</u>

NOTE 10 PENSION PLAN

Think Small has a 401(k) plan for eligible employees. Eligibility for this plan requires six months of employment and attainment of age 21. During the years ended June 30, 2016 and 2015, Think Small contributed \$149,744 and \$118,679, respectively, to the plan on behalf of its employees.

NOTE 11 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 this date.

THINK SMALL
STATEMENT OF CHANGES IN NET ASSETS BY PROGRAM - UNAUDITED
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Preparing Early Childhood Professionals			
	Professional Development, Consultation and Coaching	Community Outreach and Access	Publishing	Library
REVENUES AND SUPPORT				
Contributions	\$ 931,500	\$ 25,000	\$ -	\$ 21,680
Government Contracts	2,105,156	477,188	-	3,489
Other Contracts	2,500	-	-	-
In-Kind Contributions	673	-	-	25
Program Service Fees	501,345	-	-	-
Publication Sales	-	-	3,702,669	-
Interest and Dividends	-	-	-	-
Unrealized Gains (Losses) from Investments	-	-	-	-
Other Revenue	5,015	-	57,421	-
Total Revenues and Support	3,546,189	502,188	3,760,090	25,194
EXPENSES				
Salaries and Benefits	1,469,077	381,563	765,128	48,994
Contract Services	589,799	36,491	2,750	-
Travel, Meals, and Entertainment	42,880	9,754	14,689	478
Conferences, Meetings, and Training	7,297	1,065	40,473	-
Supplies	7,121	1,505	2,364	1,125
Postage and Shipping	32,947	2,506	310,924	2,157
Printing and Copying	56,995	7,587	179,982	638
Sales and Marketing	4,995	5,683	439,587	-
Occupancy	148,115	18,781	2,310	-
Building Maintenance	43,333	4,477	13,886	4,687
Telecommunications	23,505	5,462	12,744	433
Computer Expense	23,489	3,641	31,863	548
Furniture and Fixtures; Equipment and Repairs	4,118	172	12,931	546
Depreciation and Amortization	60,957	8,433	242,117	5,812
Insurance	10,623	2,080	6,091	791
Professional Fees	2,476	58	12,555	-
Grants	112,050	11,525	-	6,508
Scholarships	-	-	-	-
Bad Debts	3,551	-	34,255	-
Credit Card and Bank Fees	7,659	-	32,147	-
Interest	5,651	584	3,505	611
In-Kind Supplies	673	-	-	25
Subscriptions and Dues	404	-	293	25
Miscellaneous	49	45	1	33
Cost of Sales	-	-	1,184,076	-
Total Expenses	2,657,764	501,412	3,344,671	73,411
Change in Net Assets	\$ 888,425	\$ 776	\$ 415,419	\$ (48,217)

Strengthening Families		Catalyzing Change						
Family Education and Referral	Scholarships and Other Financial Supports	Policy, Advocacy and Initiatives	Total Program	Management and General	Fundraising	2016 Total	2015 Total	
\$ 225,000	\$ -	\$ 10,000	\$ 1,213,180	\$ -	\$ 1,360,799	\$ 2,573,979	\$ 1,169,476	
202,643	24,655,605	-	27,444,081	-	-	27,444,081	19,945,524	
-	-	60,000	62,500	-	-	62,500	15,000	
-	-	-	698	-	230	928	7,560	
-	-	-	501,345	-	-	501,345	435,606	
-	-	-	3,702,669	-	-	3,702,669	3,493,373	
-	-	-	-	2,368	-	2,368	4,200	
-	-	-	-	5,805	(27)	5,778	21,456	
-	-	-	62,436	28,612	-	91,048	106,075	
<u>427,643</u>	<u>24,655,605</u>	<u>70,000</u>	<u>32,986,909</u>	<u>36,785</u>	<u>1,361,002</u>	<u>34,384,696</u>	<u>25,198,270</u>	
186,977	1,529,449	209,057	4,590,245	742,232	258,153	5,590,630	4,986,584	
1,030	234,590	19,485	884,145	160,967	48,646	1,093,758	1,299,337	
2,004	3,662	3,689	77,156	27,246	7,843	112,245	106,487	
-	2,313	399	51,547	14,740	1,918	68,205	45,080	
748	8,824	126	21,813	2,530	2,299	26,642	32,422	
9,832	20,664	25	379,055	2,849	1,278	383,182	361,925	
4,676	22,964	1,199	274,041	8,172	6,818	289,031	273,397	
1,376	-	3,780	455,421	5,995	3,037	464,453	415,226	
9,014	9,535	1,271	189,026	4,451	670	194,147	188,607	
2,224	24,505	1,871	94,983	9,786	3,994	108,763	113,873	
3,036	17,216	1,441	63,837	8,740	2,039	74,616	67,319	
2,176	15,531	3,336	80,584	15,299	6,498	102,381	103,497	
85	2,124	67	20,043	377	606	21,026	19,650	
3,817	51,107	2,860	375,103	23,862	5,925	404,890	428,066	
860	10,370	576	31,391	25,664	1,120	58,175	52,954	
-	6,979	-	22,068	22,821	-	44,889	31,799	
-	836,111	-	966,194	9	-	966,203	873,722	
-	21,841,817	-	21,841,817	-	-	21,841,817	14,289,544	
-	-	-	37,806	-	12,300	50,106	13,982	
-	-	-	39,806	7,402	585	47,793	51,898	
290	4,261	240	15,142	1,640	521	17,303	18,161	
-	-	-	698	-	230	928	7,560	
-	-	443	1,165	2,875	575	4,615	6,133	
-	-	86	214	52	174	440	4,932	
-	-	-	1,184,076	-	-	1,184,076	1,161,097	
<u>228,145</u>	<u>24,642,022</u>	<u>249,951</u>	<u>31,697,376</u>	<u>1,087,709</u>	<u>365,229</u>	<u>33,150,314</u>	<u>24,953,252</u>	
<u>\$ 199,498</u>	<u>\$ 13,583</u>	<u>\$ (179,951)</u>	<u>\$ 1,289,533</u>	<u>\$ (1,050,924)</u>	<u>\$ 995,773</u>	<u>\$ 1,234,382</u>	<u>\$ 245,018</u>	