

THINK SMALL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

**THINK SMALL
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
STATEMENT OF CHANGES IN NET ASSETS BY PROGRAM – UNAUDITED	21

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, 2017 and 2016, 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.

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, 2017 and 2016, 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 – unaudited, 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

Minneapolis, Minnesota
November 6, 2017

THINK SMALL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 741,442	\$ 1,573,665
Accounts Receivable - Trade, Net	610,990	717,719
Program Receivables - Net	6,204,713	6,468,613
Pledges Receivable	347,890	824,830
Prepaid Expenses	174,717	177,467
Inventory, Net	641,363	624,619
Total Current Assets	8,721,115	10,386,913
NONCURRENT ASSETS		
Investments	1,477,753	1,361,477
Capitalized Development Costs, Net	1,257,876	1,164,852
Intangible Assets, Net	10,730	13,071
Security Deposits	13,500	12,400
Property and Equipment, Net	1,283,798	1,391,419
Total Noncurrent Assets	4,043,657	3,943,219
Total Assets	\$ 12,764,772	\$ 14,330,132
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Note Payable	\$ 21,825	\$ 25,261
Accounts Payable	3,098,052	2,045,254
Accrued Salary and Related Taxes	514,093	484,312
Other Accrued Expenses	2,087,400	2,045,940
Contract Advances	972,531	3,585,108
Deferred Revenue	34,316	82,488
Total Current Liabilities	6,728,217	8,268,363
LONG-TERM NOTE PAYABLE	211,231	379,729
Total Liabilities	6,939,448	8,648,092
NET ASSETS		
Unrestricted	4,346,906	4,024,030
Temporarily Restricted	1,478,418	1,658,010
Total Net Assets	5,825,324	5,682,040
Total Liabilities and Net Assets	\$ 12,764,772	\$ 14,330,132

See accompanying Notes to Financial Statements.

**THINK SMALL
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	\$ 428,138	\$ 1,120,500	\$ 1,548,638
In-Kind Contributions	26,189	-	26,189
Government Contracts	29,738,807	-	29,738,807
Other Contracts	28,000	-	28,000
Program Service Fees	584,098	-	584,098
Publication Sales	3,626,276	-	3,626,276
Interest and Dividends	1,171	-	1,171
Unrealized Gains on Investments	221,808	-	221,808
Other Revenue	97,297	-	97,297
Net Assets Released from Restriction Upon Satisfaction of Time and Program Restrictions	1,300,092	(1,300,092)	-
Total Revenues and Support	<u>36,051,876</u>	<u>(179,592)</u>	<u>35,872,284</u>
EXPENSES			
Program Expenses:			
Prepare Providers	7,750,804	-	7,750,804
Strengthen Families	26,217,809	-	26,217,809
Catalyze Change	233,170	-	233,170
Total Program Expenses	<u>34,201,783</u>	<u>-</u>	<u>34,201,783</u>
Support Services:			
Management and General	1,183,556	-	1,183,556
Fundraising	343,661	-	343,661
Total Support Services	<u>1,527,217</u>	<u>-</u>	<u>1,527,217</u>
Total Expenses	<u>35,729,000</u>	<u>-</u>	<u>35,729,000</u>
CHANGE IN NET ASSETS	322,876	(179,592)	143,284
Net Assets - Beginning of Year	<u>4,024,030</u>	<u>1,658,010</u>	<u>5,682,040</u>
NET ASSETS - END OF YEAR	<u>\$ 4,346,906</u>	<u>\$ 1,478,418</u>	<u>\$ 5,825,324</u>

See accompanying Notes to Financial Statements.

2016

Unrestricted	Temporarily Restricted	Total
\$ 707,624	\$ 1,866,355	\$ 2,573,979
928	-	928
27,444,081	-	27,444,081
62,500	-	62,500
501,345	-	501,345
3,702,669	-	3,702,669
2,368	-	2,368
5,778	-	5,778
91,048	-	91,048
712,805	(712,805)	-
33,231,146	1,153,550	34,384,696
7,495,527	-	7,495,527
23,951,898	-	23,951,898
249,951	-	249,951
31,697,376	-	31,697,376
1,087,709	-	1,087,709
365,229	-	365,229
1,452,938	-	1,452,938
33,150,314	-	33,150,314
80,832	1,153,550	1,234,382
3,943,198	504,460	4,447,658
\$ 4,024,030	\$ 1,658,010	\$ 5,682,040

THINK SMALL
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,942,061	\$ 700,033	\$ 227,318	\$ 4,869,412
Payroll Taxes	299,410	51,459	16,560	367,429
Employee Benefits	623,156	68,038	23,546	714,740
Total Salaries and Benefits	4,864,627	819,530	267,424	5,951,581
Contract Services	655,486	137,839	6,193	799,518
Travel	90,259	23,596	3,484	117,339
Conferences, Meetings, and Training	43,734	5,464	2,782	51,980
Supplies	18,541	4,213	3,161	25,915
Postage and Shipping	356,554	3,597	1,986	362,137
Printing and Copying	233,968	10,381	6,058	250,407
Sales and Marketing	540,346	5,544	1,010	546,900
Occupancy	192,190	16,891	2,023	211,104
Building Maintenance	99,061	14,682	4,266	118,009
Telephone	73,831	12,622	2,259	88,712
Computer Expense	116,788	24,000	9,119	149,907
Equipment and Repairs	36,948	1,273	58	38,279
Depreciation and Amortization	411,060	28,822	6,610	446,492
Insurance	27,421	25,506	1,001	53,928
Professional Fees	12,365	35,020	-	47,385
Grants	1,181,603	88	-	1,181,691
Scholarships	24,037,799	-	-	24,037,799
Bad Debts	(9,024)	-	(2,500)	(11,524)
Credit Card and Bank Fees	35,804	7,958	795	44,557
Interest	12,472	1,744	448	14,664
In-Kind Supplies	880	-	25,309	26,189
Subscriptions and Dues	5,676	4,532	1,818	12,026
Miscellaneous	1,772	254	357	2,383
Total	33,040,161	1,183,556	343,661	34,567,378
Cost of Sales	1,161,622	-	-	1,161,622
Total	\$ 34,201,783	\$ 1,183,556	\$ 343,661	\$ 35,729,000

See accompanying Notes to Financial Statements.

2016

Program Services	Management and General	Fundraising	Total
\$ 3,763,238	\$ 643,809	\$ 221,955	\$ 4,629,002
283,529	46,454	15,995	345,978
543,477	51,969	20,203	615,649
<u>4,590,244</u>	<u>742,232</u>	<u>258,153</u>	<u>5,590,629</u>
884,145	160,967	48,646	1,093,758
77,156	27,246	7,843	112,245
51,547	14,740	1,918	68,205
21,813	2,530	2,299	26,642
379,055	2,849	1,278	383,182
274,041	8,172	6,818	289,031
455,421	5,995	3,037	464,453
189,026	4,451	670	194,147
94,983	9,786	3,994	108,763
63,837	8,740	2,039	74,616
80,584	15,299	6,498	102,381
20,043	377	606	21,026
375,103	23,862	5,925	404,890
31,391	25,664	1,120	58,175
22,068	22,821	-	44,889
966,194	9	-	966,203
21,841,817	-	-	21,841,817
37,806	-	12,300	50,106
39,806	7,402	585	47,793
15,142	1,640	521	17,303
698	-	230	928
1,165	2,875	575	4,615
215	52	174	441
<u>30,513,300</u>	<u>1,087,709</u>	<u>365,229</u>	<u>31,966,238</u>
1,184,076	-	-	1,184,076
<u>\$ 31,697,376</u>	<u>\$ 1,087,709</u>	<u>\$ 365,229</u>	<u>\$ 33,150,314</u>

THINK SMALL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 143,284	\$ 1,234,382
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	216,781	197,439
Amortization	229,711	207,451
Unrealized Gains on Investments	(221,808)	(5,778)
Changes in Certain Assets and Liabilities:		
Accounts Receivable - Trade	106,729	(158,486)
Program Receivables	263,900	(3,314,745)
Pledges Receivable	476,940	(758,336)
Prepaid Expenses	2,750	23,780
Inventory	(16,744)	9,147
Capitalized Development Costs	(320,394)	(288,555)
Security Deposits	(1,100)	-
Accounts Payable	1,052,798	401,731
Accrued Salary and Related Taxes	29,781	45,885
Other Accrued Expenses	41,460	248,614
Contract Advances	(2,612,577)	979,812
Deferred Revenue	(48,172)	62,015
Net Cash Used by Operating Activities	(656,661)	(1,115,644)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(109,160)	(118,652)
Purchase of Investments	-	(213,048)
Sales of Investments	105,532	218,447
Net Cash Used by Investing Activities	(3,628)	(113,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	-	12,945
Payments on Note Payable	(171,934)	(23,037)
Net Cash Used by Financing Activities	(171,934)	(10,092)
DECREASE IN CASH AND CASH EQUIVALENTS	(832,223)	(1,238,989)
Cash and Cash Equivalents - Beginning of Year	1,573,665	2,812,654
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 741,442	\$ 1,573,665
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 14,664	\$ 17,303

See accompanying Notes to Financial Statements.

**THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 DESCRIPTION OF ORGANIZATION

Think Small 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 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 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. Enrollment in 1,130 trainings during Fiscal Year 2017 was 15,563. We also connect providers with quality improvement grants and emergency funding for early childhood programs.

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. 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. Staff provides language translation and interpretation for ELL providers and families.

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 287 titles in print. In Fiscal Year 2017, over 200,000 products were distributed to customers both in the U.S. and abroad. Redleaf books are translated into 13 different languages with over 53 books in translation. Over 50% of Redleaf's books are available as e-books and in other digital formats. Approximately 715,800 catalogs are mailed to customers annually.

Library

A branch of the St. Paul Public Library, the Debra S. Fish Early Childhood Library is available statewide. Now numbering 6,148 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, 2017 AND 2016**

NOTE 1 DESCRIPTION OF ORGANIZATION (CONTINUED)

Strengthen Families

Family Engagement

Think Small is committed to strengthening family's access to high quality care as well as increasing their knowledge about early childhood development and preparing children for Kindergarten. Think Small Parent Powered texting delivers evidence-based texting messages to parents and caregivers, across Minnesota, for children birth to five years old. These short text messages encourage parents to do fun and engaging activities with their children to increase their literacy and numeracy development as well as tips on how to be healthy.

Innovations

Think Small develops and supports interventions that target low-income families, including addressing the achievement and opportunity gaps between white children and children of color. We work to identify ways child care providers can engage more fully with their families in addressing the literacy gap early on. We are currently collaborating with University of Minnesota, LENA Foundation, and Reading Corps to implement parent engagement and provider coaching to increase the literacy levels of very young children. To date, we have served 23 early childhood providers and 11 parents in these initiatives.

Scholarships and Other Financial Supports

Think Small serves providers and families with targeted financial supports. Think Small administers 5,580 eligibility-based scholarships for families to enroll children in programs with Parent Aware quality ratings in Hennepin and Ramsey Counties. We administer Basic Sliding Fee Child Care Assistance for eligible low-income families in Ramsey County.

Catalyze 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 of child care providers and parents, with an intentional focus on raising the voice of diverse cultural, refugee, and immigrant communities. To support this work, Think Small provided 30 communications to over 6,000 subscribers of our Action Center and published 50 blog posts viewed 7,243 times. In addition, Think Small participates in a variety of state and national early learning policy coalitions and workgroups. Think Small also plays an important role in advancing policy efforts such as Parent Aware, Early Learning Scholarships, Child Care Assistance, and most recently the economic development of the child care sector. 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 build accountability in the system. All efforts focus on ensuring that families have a variety of high quality early learning opportunities that will put their child on the path to school and life success.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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.

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.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	2017	2016
Current	\$ 475,302	\$ 469,341
1-30 Days Due	106,779	182,615
31-60 Days Due	19,592	15,373
61-90 Days Due	6,428	12,417
90+ Days Due	5,650	74,500
Total Face Value of Accounts Receivable - Trade	613,751	754,246
Less: Allowance for Uncollectible Accounts	(2,761)	(36,527)
Total Accounts Receivable - Trade	\$ 610,990	\$ 717,719

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 \$2,761 and \$36,527 for the years ended June 30, 2017 and 2016, respectively. The allowance for uncollectible program accounts was \$1,640 and \$1,034 for the years ended June 30, 2017 and 2016, 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:

	2017
2018	\$ 234,240
2019	120,850
2020	100
Total Pledges Receivable	355,190
Less: Allowance for Uncollectible Accounts	(7,300)
Total Pledges Receivable, Net	\$ 347,890

For the year ended June 30, 2016 the allowance for pledges receivable was \$12,300.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$102,088 and \$74,457 at June 30, 2017 and 2016, respectively.

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:

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

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, 2017 and 2016, approximately 82% and 78% of government contract revenue was from the state of Minnesota, respectively.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In-Kind Contributions

Donated materials are recorded as contributions, when received, at their estimated fair market value. During the years ended June 30, 2017 and 2016, Think Small received program supplies of \$880 and \$255, 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 nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Think Small received \$25,309 and \$673 of contributed services for the years ended June 30, 2017 and 2016, 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 at year-end 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 \$117,932 and \$127,672 in the years ended June 30, 2017 and 2016, 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, 2017 or 2016.

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, 2017 AND 2016

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 November 6, 2017, 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:

	2017	2016
Whitebox Relative Value Fund, Ltd.	\$ 470,363	\$ 362,717
Whitebox Credit Fund, Ltd.	340,147	282,064
Money Market Funds	8,033	59,666
Exchange Traded Funds, Closed End Funds	516,916	459,708
Corporate Fixed Income	142,294	197,322
Total	<u>\$ 1,477,753</u>	<u>\$ 1,361,477</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 are as follows:

	2017			
	Total	Level 1	Level 2	Level 3
Investments Accounted for at Net Asset Value	\$ 810,510	\$ -	\$ -	\$ -
Corporate Fixed Income	142,294	142,294	-	-
Money Market Funds	8,033	8,033	-	-
Exchange Traded Funds, Closed End Funds	516,916	516,916	-	-
Total	<u>\$ 1,477,753</u>	<u>\$ 667,243</u>	<u>\$ -</u>	<u>\$ -</u>
	2016			
	Total	Level 1	Level 2	Level 3
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>\$ -</u>

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 are as follows:

	2017			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Whitebox Relative Value Fund, Ltd.	\$ 470,363	\$ -	Quarterly	60 Days
Whitebox Credit Fund, Ltd.	340,147	-	Quarterly	60 Days
Total	<u>\$ 810,510</u>	<u>\$ -</u>		

	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	<u>\$ 644,781</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 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.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>	<u>Estimated Useful Lives</u>
Land	\$ 205,000	\$ 205,000	-	-
Building	1,194,275	1,194,275	20 Years	20 Years
Building Improvements	1,542,734	1,537,914	10 - 20 Years	10 - 20 Years
Leasehold Improvements	19,325	8,150	5 Years	5 Years
Computers	650,285	566,118	3 - 7 Years	3 - 7 Years
Office Equipment	439,164	430,164	3 - 15 Years	3 - 15 Years
Total	<u>4,050,783</u>	<u>3,941,621</u>		
Less: Accumulated Depreciation	<u>(2,766,985)</u>	<u>(2,550,202)</u>		
Net Property and Equipment	<u>\$ 1,283,798</u>	<u>\$ 1,391,419</u>		

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 January 20, 2017 in the amount of \$382,115 with an interest rate of 4.43%. The mortgage is payable in monthly principal and interest installments of \$2,409 through December 29, 2021, 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>
2018	\$ 21,825
2019	22,716
2020	23,616
2021	23,306
2022	141,593
Total	<u>\$ 233,056</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 4.25% 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, 2017 and 2016, there were no outstanding advances on the line of credit.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 LINE OF CREDIT (CONTINUED)

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, 2017 and 2016, 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, 2017 totaled \$305,293. Expenses under leases for the years ended June 30, 2017 and 2016 totaled \$102,582 and \$106,302, respectively. The cash payments for future rental commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 115,408
2019	120,701
2020	47,598
2021	17,380
2022	4,206
Total	<u>\$ 305,293</u>

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
General Operations - Time Restricted	\$ 311,825	\$ 573,175
Professional Development, Consultation, and Coaching	1,156,332	1,070,703
Community Outreach and Access	-	4,102
Library	10,261	10,030
Total	<u>\$ 1,478,418</u>	<u>\$ 1,658,010</u>

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

	<u>2017</u>	<u>2016</u>
General Operations - Time Restricted	\$ 265,600	\$ 100,000
Professional Development, Consultation, and Coaching	1,022,473	573,429
Policy, Advocacy, and Initiatives	10,000	20,898
Publishing	-	6,828
Library	2,019	11,650
Total	<u>\$ 1,300,092</u>	<u>\$ 712,805</u>

**THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 10 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 years ended June 30, 2017 and 2016, Think Small contributed \$165,774 and \$149,744, 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.

NOTE 12 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.

THINK SMALL
STATEMENT OF CHANGES IN NET ASSETS BY PROGRAM – UNAUDITED
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Program		
	Prepare Providers	Strengthen Families	Catalyze Change
REVENUES AND SUPPORT			
Contributions	\$ 126,250	\$ 990,000	\$ -
Government Contracts	3,611,118	26,127,689	-
Other Contracts	-	-	15,000
In-Kind Contributions	880	-	-
Program Service Fees	584,098	-	-
Publication Sales	3,626,276	-	-
Interest and Dividends	-	-	-
Unrealized Gains from Investments	-	-	-
Other Revenue	43,689	-	-
Total Revenues and Support	<u>7,992,311</u>	<u>27,117,689</u>	<u>15,000</u>
EXPENSES			
Salaries and Benefits	2,858,867	1,793,879	211,881
Contract Services	528,608	126,878	-
Travel, Meals, and Entertainment	71,414	14,423	4,422
Conferences, Meetings, and Training	42,107	856	771
Supplies	9,104	9,368	69
Postage and Shipping	325,953	30,303	298
Printing and Copying	207,163	26,509	296
Sales and Marketing	529,743	10,603	-
Occupancy	172,974	15,652	3,564
Building Maintenance	70,906	25,275	2,880
Telecommunications	42,794	29,285	1,752
Computer Expense	91,472	23,897	1,419
Furniture and Fixtures; Equipment and Repairs	34,652	2,259	37
Depreciation and Amortization	355,036	51,505	4,519
Insurance	18,291	8,438	692
Professional Fees	4,959	7,398	8
Grants	1,181,311	292	-
Scholarships	-	24,037,799	-
Bad Debts	(9,024)	-	-
Credit Card and Bank Fees	35,804	-	-
Interest	9,213	2,962	297
In-Kind Supplies	880	-	-
Subscriptions and Dues	5,211	200	265
Miscellaneous	1,744	28	-
Cost of Sales	1,161,622	-	-
Total Expenses	<u>7,750,804</u>	<u>26,217,809</u>	<u>233,170</u>
Change in Net Assets	<u>\$ 241,507</u>	<u>\$ 899,880</u>	<u>\$ (218,170)</u>

Total Program	Management and General	Fundraising	2017 Total	2016 Total
\$ 1,116,250	\$ -	\$ 432,388	\$ 1,548,638	\$ 2,573,979
29,738,807	-	-	29,738,807	27,444,081
15,000	13,000	-	28,000	62,500
880	-	25,309	26,189	928
584,098	-	-	584,098	501,345
3,626,276	-	-	3,626,276	3,702,669
-	1,171	-	1,171	2,368
-	221,731	77	221,808	5,778
43,689	53,608	-	97,297	91,048
<u>35,125,000</u>	<u>289,510</u>	<u>457,774</u>	<u>35,872,284</u>	<u>34,384,696</u>
4,864,627	819,530	267,424	5,951,581	5,590,630
655,486	137,839	6,193	799,518	1,093,758
90,259	23,596	3,484	117,339	112,245
43,734	5,464	2,782	51,980	68,205
18,541	4,213	3,161	25,915	26,642
356,554	3,597	1,986	362,137	383,182
233,968	10,381	6,058	250,407	289,031
540,346	5,544	1,010	546,900	464,453
192,190	16,891	2,023	211,104	194,147
99,061	14,682	4,266	118,009	108,763
73,831	12,622	2,259	88,712	74,616
116,788	24,000	9,119	149,907	102,381
36,948	1,273	58	38,279	21,026
411,060	28,822	6,610	446,492	404,890
27,421	25,506	1,001	53,928	58,175
12,365	35,020	-	47,385	44,889
1,181,603	88	-	1,181,691	966,203
24,037,799	-	-	24,037,799	21,841,817
(9,024)	-	(2,500)	(11,524)	50,106
35,804	7,958	795	44,557	47,793
12,472	1,744	448	14,664	17,303
880	-	25,309	26,189	928
5,676	4,532	1,818	12,026	4,615
1,772	254	357	2,383	440
1,161,622	-	-	1,161,622	1,184,076
<u>34,201,783</u>	<u>1,183,556</u>	<u>343,661</u>	<u>35,729,000</u>	<u>33,150,314</u>
<u>\$ 923,217</u>	<u>\$ (894,046)</u>	<u>\$ 114,113</u>	<u>\$ 143,284</u>	<u>\$ 1,234,382</u>