

**THINK SMALL**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**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, 2018 and 2017, 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.

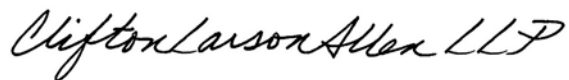
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2018 and 2017, 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 5, 2018

**THINK SMALL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,020,038	\$ 741,442
Accounts Receivable - Trade, Net	664,684	610,990
Program Receivables - Net	4,759,915	6,204,713
Pledges Receivable	338,300	234,240
Prepaid Expenses	176,217	174,717
Inventory, Net	583,800	641,363
Total Current Assets	7,542,954	8,607,465
<b>NONCURRENT ASSETS</b>		
Investments	1,605,014	1,477,753
Capitalized Development Costs, Net	1,291,908	1,257,876
Intangible Assets, Net	8,389	10,730
Security Deposits	13,500	13,500
Pledges Receivable	113,650	113,650
Property and Equipment, Net	1,097,577	1,283,798
Total Noncurrent Assets	4,130,038	4,157,307
Total Assets	\$ 11,672,992	\$ 12,764,772
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Note Payable	\$ 22,716	\$ 21,825
Accounts Payable	3,233,078	3,098,052
Accrued Salary and Related Taxes	507,973	514,093
Other Accrued Expenses	1,370,965	2,087,400
Contract Advances	920,000	972,531
Deferred Revenue	57,363	34,316
Total Current Liabilities	6,112,095	6,728,217
<b>LONG-TERM NOTE PAYABLE</b>	188,515	211,231
Total Liabilities	6,300,610	6,939,448
<b>NET ASSETS</b>		
Unrestricted	4,034,628	4,346,906
Temporarily Restricted	1,337,754	1,478,418
Total Net Assets	5,372,382	5,825,324
Total Liabilities and Net Assets	\$ 11,672,992	\$ 12,764,772

See accompanying Notes to Financial Statements.

**THINK SMALL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 442,447	\$ 1,456,330	\$ 1,898,777
In-Kind Contributions	2,160	-	2,160
Government Contracts	28,155,490	-	28,155,490
Other Contracts	828,191	-	828,191
Program Service Fees	433,632	-	433,632
Publication Sales	3,450,718	-	3,450,718
Interest and Dividends	1,368	-	1,368
Gains on Investments	78,709	-	78,709
Other Revenue	90,239	-	90,239
Net Assets Released from Restriction Upon Satisfaction of Time and Program Restrictions	1,596,994	(1,596,994)	-
<b>Total Revenues and Support</b>	<b>35,079,948</b>	<b>(140,664)</b>	<b>34,939,284</b>
<b>EXPENSES</b>			
Program Expenses:			
Prepare Providers	8,303,672	-	8,303,672
Strengthen Families	25,251,588	-	25,251,588
Catalyze Change	241,687	-	241,687
<b>Total Program Expenses</b>	<b>33,796,947</b>	<b>-</b>	<b>33,796,947</b>
Support Services:			
Management and General	1,236,383	-	1,236,383
Fundraising	358,896	-	358,896
<b>Total Support Services</b>	<b>1,595,279</b>	<b>-</b>	<b>1,595,279</b>
<b>Total Expenses</b>	<b>35,392,226</b>	<b>-</b>	<b>35,392,226</b>
<b>CHANGE IN NET ASSETS</b>	<b>(312,278)</b>	<b>(140,664)</b>	<b>(452,942)</b>
Net Assets - Beginning of Year	4,346,906	1,478,418	5,825,324
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 4,034,628</b>	<b>\$ 1,337,754</b>	<b>\$ 5,372,382</b>

See accompanying Notes to Financial Statements.

2017		
Unrestricted	Temporarily Restricted	Total
\$ 428,138	\$ 1,120,500	\$ 1,548,638
26,189	-	26,189
29,738,807	-	29,738,807
28,000	-	28,000
584,098	-	584,098
3,626,276	-	3,626,276
1,171	-	1,171
221,808	-	221,808
97,297	-	97,297
<u>1,300,092</u>	<u>(1,300,092)</u>	<u>-</u>
<u>36,051,876</u>	<u>(179,592)</u>	<u>35,872,284</u>
7,750,804	-	7,750,804
26,217,809	-	26,217,809
<u>233,170</u>	<u>-</u>	<u>233,170</u>
<u>34,201,783</u>	<u>-</u>	<u>34,201,783</u>
1,183,556	-	1,183,556
<u>343,661</u>	<u>-</u>	<u>343,661</u>
<u>1,527,217</u>	<u>-</u>	<u>1,527,217</u>
<u>35,729,000</u>	<u>-</u>	<u>35,729,000</u>
322,876	(179,592)	143,284
<u>4,024,030</u>	<u>1,658,010</u>	<u>5,682,040</u>
<u>\$ 4,346,906</u>	<u>\$ 1,478,418</u>	<u>\$ 5,825,324</u>

**THINK SMALL**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 4,264,855	\$ 742,850	\$ 231,207	\$ 5,238,912
Payroll Taxes	320,704	53,838	16,793	391,335
Employee Benefits	617,480	67,157	21,756	706,393
Total Salaries and Benefits	5,203,039	863,845	269,756	6,336,640
Contract Services	655,096	123,936	7,246	786,278
Travel	75,682	13,959	12,595	102,236
Conferences, Meetings, and Training	48,192	1,206	1,454	50,852
Supplies	13,780	2,496	1,927	18,203
Postage and Shipping	331,142	2,496	4,078	337,716
Printing and Copying	223,155	8,285	10,399	241,839
Sales and Marketing	604,323	176	1,358	605,857
Occupancy	229,313	33,954	5,592	268,859
Building Maintenance	106,297	19,434	3,898	129,629
Telephone	72,500	12,410	2,071	86,981
Computer Expense	89,997	26,281	6,189	122,467
Equipment and Repairs	20,650	663	69	21,382
Depreciation and Amortization	434,336	43,209	5,851	483,396
Insurance	32,344	28,947	1,771	63,062
Professional Fees	11,264	47,577	-	58,841
Grants	1,575,285	-	-	1,575,285
Scholarships	22,879,176	-	-	22,879,176
Bad Debts	1,824	-	19,109	20,933
Credit Card and Bank Fees	34,405	2,505	1,379	38,289
Interest	8,190	1,200	241	9,631
In-Kind Supplies	-	-	2,160	2,160
Subscriptions and Dues	4,968	3,718	1,646	10,332
Miscellaneous	93	86	107	286
Total	32,655,051	1,236,383	358,896	34,250,330
Cost of Sales	1,141,896	-	-	1,141,896
Total	\$ 33,796,947	\$ 1,236,383	\$ 358,896	\$ 35,392,226

See accompanying Notes to Financial Statements.



2017

Program Services	Management and General	Fundraising	Total
\$ 3,942,061	\$ 700,033	\$ 227,318	\$ 4,869,412
299,410	51,459	16,560	367,429
623,156	68,038	23,546	714,740
<u>4,864,627</u>	<u>819,530</u>	<u>267,424</u>	<u>5,951,581</u>
655,486	137,839	6,193	799,518
90,259	23,596	3,484	117,339
43,734	5,464	2,782	51,980
18,541	4,213	3,161	25,915
356,554	3,597	1,986	362,137
233,968	10,381	6,058	250,407
540,346	5,544	1,010	546,900
192,190	16,891	2,023	211,104
99,061	14,682	4,266	118,009
73,831	12,622	2,259	88,712
116,788	24,000	9,119	149,907
36,948	1,273	58	38,279
411,060	28,822	6,610	446,492
27,421	25,506	1,001	53,928
12,365	35,020	-	47,385
1,181,603	88	-	1,181,691
24,037,799	-	-	24,037,799
(9,024)	-	(2,500)	(11,524)
35,804	7,958	795	44,557
12,472	1,744	448	14,664
880	-	25,309	26,189
5,676	4,532	1,818	12,026
1,772	254	357	2,383
<u>33,040,161</u>	<u>1,183,556</u>	<u>343,661</u>	<u>34,567,378</u>
1,161,622	-	-	1,161,622
<u>\$ 34,201,783</u>	<u>\$ 1,183,556</u>	<u>\$ 343,661</u>	<u>\$ 35,729,000</u>

**THINK SMALL**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (452,942)	\$ 143,284
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	227,637	216,781
Amortization	255,759	229,711
Gains on Investments	(78,709)	(221,808)
Changes in Certain Assets and Liabilities:		
Accounts Receivable - Trade	(53,694)	106,729
Program Receivables	1,444,798	263,900
Pledges Receivable	(104,060)	476,940
Prepaid Expenses	(1,500)	2,750
Inventory	57,563	(16,744)
Capitalized Development Costs	(287,450)	(320,394)
Security Deposits	-	(1,100)
Accounts Payable	135,026	1,052,798
Accrued Salary and Related Taxes	(6,120)	29,781
Other Accrued Expenses	(716,435)	41,460
Contract Advances	(52,531)	(2,612,577)
Deferred Revenue	23,047	(48,172)
Net Cash Provided (Used) by Operating Activities	390,389	(656,661)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(41,416)	(109,160)
Purchase of Investments	(346,681)	-
Sales of Investments	298,129	105,532
Net Cash Used by Investing Activities	(89,968)	(3,628)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Note Payable	(21,825)	(171,934)
Net Cash Used by Financing Activities	(21,825)	(171,934)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	278,596	(832,223)
Cash and Cash Equivalents - Beginning of Year	741,442	1,573,665
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,020,038	\$ 741,442
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 9,631	\$ 14,664

See accompanying Notes to Financial Statements.

**THINK SMALL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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 1,064 trainings during FY18 was 15,662. 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 assist 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 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 published 27 new titles in FY18 and has 320 titles in print. In FY18 over 216,000 products were distributed to customers both in the U.S. and abroad. Redleaf books are translated into 12 different languages with over 60 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 6,095 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, 2018 AND 2017**

**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 MN, for children birth to 5 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. As of August 2018, more than 7,000 families have enrolled.

**Scholarships and Other Financial Supports**

Think Small serves providers and families with targeted financial supports. Think Small administers over 4,000 eligibility-based scholarships for families to enroll children in programs with Parent Aware quality ratings in Hennepin and Ramsey Counties. We also 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 5,453 subscribers of our Action Center and published 39 blog posts viewed 9,518 times.

Think Small participates in a variety of state and national early learning policy coalitions and workgroups and 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 by helping take promising initiatives to scale, Think Small has helped improve access to quality early learning opportunities and has helped build accountability in the system. Think Small continually focuses on our efforts 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.

**Innovations**

Think Small develops and supports interventions that target low-income families, especially those that address the achievement and opportunity gaps between white children and children of color. Currently, we are working on three large innovation projects: a new Child Care Business Program, which is supporting more than 45 current/new providers looking to open or expand a licensed family child care program or child care center; expanding Redleaf Press's expertise and content into realms beyond publishing of printed materials, and leveraging technology to expand the type and scope of coaching supports to early childhood providers.

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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, 2018 AND 2017**

**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:

	2018	2017
Current	\$ 451,528	\$ 475,302
1-30 Days Due	169,874	106,779
31-60 Days Due	13,277	19,592
61-90 Days Due	6,333	6,428
90+ Days Due	25,485	5,650
Total Face Value of Accounts Receivable - Trade	<u>666,497</u>	<u>613,751</u>
Less: Allowance for Uncollectible Accounts	(1,813)	(2,761)
Total Accounts Receivable - Trade	<u>\$ 664,684</u>	<u>\$ 610,990</u>

**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 \$1,813 and \$2,761 for the years ended June 30, 2018 and 2017, respectively. The allowance for uncollectible program accounts was \$1,803 and \$1,640 for the years ended June 30, 2018 and 2017, 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 338,300
2020	117,425
2021	11,000
2022	1,000
Total Pledges Receivable	<u>467,725</u>
Less: Allowance for Uncollectible Accounts	(15,775)
Total Pledges Receivable, Net	<u>\$ 451,950</u>

The allowance for pledges receivable was \$15,775 and \$7,300 for the years ended June 30, 2018 and 2017, respectively.

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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 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 are \$136,107 and \$102,088 at June 30, 2018 and 2017, 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.

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

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.

*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.



**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2018 and 2017, approximately 74% and 82% 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.

**In-Kind Contributions**

Donated materials are recorded as contributions, when received, at their estimated fair market value. During the years ended June 30, 2018 and 2017, Think Small received program supplies of \$2,160 and \$880, 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 \$-0- and \$25,309 of contributed services for the years ended June 30, 2018 and 2017, 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 \$116,574 and \$117,932 in the years ended June 30, 2018 and 2017, respectively.

**THINK SMALL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2018 or 2017.

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.

**Subsequent Events**

In preparing these financial statements, Think Small has evaluated events and transactions for potential recognition or disclosure through November 5, 2018, 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:

	2018	2017
Whitebox Relative Value Fund, Ltd.	\$ 416,741	\$ 470,363
Whitebox Credit Fund, Ltd.	332,181	340,147
Money Market Funds	61,667	8,033
Exchange Traded Funds, Closed End Funds	644,511	516,916
Corporate Fixed Income	149,914	142,294
Total	<u>\$ 1,605,014</u>	<u>\$ 1,477,753</u>

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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:

	2018			
	Total	Level 1	Level 2	Level 3
Investments Accounted for at Net Asset Value	\$ 748,922	\$ -	\$ -	\$ -
Money Market Funds	61,667	61,667	-	-
Corporate Fixed Income	149,914	149,914	-	-
Exchange Traded Funds, Closed End Funds	644,511	644,511	-	-
Total	<u>\$ 1,605,014</u>	<u>\$ 856,092</u>	<u>\$ -</u>	<u>\$ -</u>
	2017			
	Total	Level 1	Level 2	Level 3
Investments Accounted for at Net Asset Value	\$ 810,510	\$ -	\$ -	\$ -
Money Market Funds	8,033	8,033	-	-
Corporate Fixed Income	142,294	142,294	-	-
Exchange Traded Funds, Closed End Funds	516,916	516,916	-	-
Total	<u>\$ 1,477,753</u>	<u>\$ 667,243</u>	<u>\$ -</u>	<u>\$ -</u>

**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:

	2018			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Whitebox Relative Value Fund, Ltd.	\$ 416,741	\$ -	Quarterly	60 Days
Whitebox Credit Fund, Ltd.	332,181	-	Quarterly	60 Days
Total	<u>\$ 748,922</u>	<u>\$ -</u>		
	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>		

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

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.

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	2018	2017	Estimated Useful Lives
Land	\$ 205,000	\$ 205,000	-
Building	1,194,275	1,194,275	20 Years
Building Improvements	1,549,163	1,542,734	10 - 20 Years
Leasehold Improvements	19,325	19,325	5 Years
Computers	641,129	650,285	3 - 7 Years
Office Equipment	439,164	439,164	3 - 15 Years
Total	<u>4,048,056</u>	<u>4,050,783</u>	
Less: Accumulated Depreciation	<u>(2,950,479)</u>	<u>(2,766,985)</u>	
Net Property and Equipment	<u>\$ 1,097,577</u>	<u>\$ 1,283,798</u>	

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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. The outstanding balance on the mortgage payable was \$204,759 and \$223,995 at June 30, 2018 and 2017, respectively.

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. The outstanding balance on this note was \$6,472 and \$9,061 at June 30, 2018 and 2017, respectively.

Maturities of the note payables are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 22,716
2020	23,616
2021	23,306
2022	<u>141,593</u>
Total	<u><u>\$ 211,231</u></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 4.9% and maturity date of October 29, 2018. The line of credit is secured by all inventory, chattel paper, accounts receivable, equipment, and general intangibles. At June 30, 2018 and 2017, there were no outstanding advances on the line of credit.

In April 2014, Think Small established a portfolio loan with Morgan Stanley. As of June 30, 2018, available funds total \$670,723 with interest rate of 6.10%. The portfolio loan is secured by the holdings at Morgan Stanley. At June 30, 2018 and 2017, there were no outstanding advances on the portfolio loan.

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 8 LEASES**

Rental commitments under noncancelable leases for office space and equipment in effect at June 30, 2018 totaled \$189,885. Expenses under leases for the years ended June 30, 2018 and 2017 totaled \$115,408 and \$102,582, respectively. The cash payments for future rental commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 120,701
2020	47,598
2021	17,380
2022	4,206
Total	<u>\$ 189,885</u>

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
General Operations - Time Restricted	\$ 201,100	\$ 311,825
Professional Development, Consultation, and Coaching	1,100,997	1,156,332
Policy, Advocacy and Initiatives	22,446	-
Library	13,211	10,261
Total	<u>\$ 1,337,754</u>	<u>\$ 1,478,418</u>

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

	<u>2018</u>	<u>2017</u>
General Operations - Time Restricted	\$ 210,875	\$ 265,600
Professional Development, Consultation, and Coaching	1,382,335	1,022,473
Policy, Advocacy, and Initiatives	3,784	10,000
Library	-	2,019
Total	<u>\$ 1,596,994</u>	<u>\$ 1,300,092</u>

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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, 2018 and 2017, Think Small contributed \$176,286 and \$165,774, 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, 2018**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Program		
	Prepare Providers	Strengthen Families	Catalyze Change
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 2,450	\$ -	\$ 10,330
Government Contracts	4,002,309	24,153,181	-
Other Contracts	12,000	800,941	15,250
In-Kind Contributions	-	-	-
Program Service Fees	433,632	-	-
Publication Sales	3,450,718	-	-
Interest and Dividends	-	-	-
Unrealized Gains from Investments	-	-	-
Other Revenue	60,280	-	-
Total Revenues and Support	7,961,389	24,954,122	25,580
<b>EXPENSES</b>			
Salaries and Benefits	3,008,709	2,009,471	184,859
Contract Services	550,198	66,660	38,238
Travel, Meals, and Entertainment	63,266	9,980	2,436
Conferences, Meetings, and Training	45,331	2,686	175
Supplies	7,756	5,917	107
Postage and Shipping	308,936	22,206	-
Printing and Copying	185,389	37,147	619
Sales and Marketing	553,462	50,861	-
Occupancy	208,770	14,250	6,293
Building Maintenance	76,598	27,634	2,065
Telecommunications	43,112	27,966	1,422
Computer Expense	58,485	30,216	1,296
Furniture and Fixtures; Equipment and Repairs	12,641	7,982	27
Depreciation and Amortization	388,694	42,323	3,319
Insurance	21,582	10,101	661
Professional Fees	5,983	5,281	-
Grants	1,575,285	-	-
Scholarships	-	22,879,176	-
Bad Debts	1,824	-	-
Credit Card and Bank Fees	34,405	-	-
Interest	6,359	1,711	120
In-Kind Supplies	-	-	-
Subscriptions and Dues	4,898	20	50
Miscellaneous	93	-	-
Cost of Sales	1,141,896	-	-
Total Expenses	8,303,672	25,251,588	241,687
Change in Net Assets	\$ (342,283)	\$ (297,466)	\$ (216,107)



Total Program	Management and General	Fundraising	2018 Total	2017 Total
\$ 12,780	\$ -	\$ 1,885,997	\$ 1,898,777	\$ 1,548,638
28,155,490	-	-	28,155,490	29,738,807
828,191	-	-	828,191	28,000
-	-	2,160	2,160	26,189
433,632	-	-	433,632	584,098
3,450,718	-	-	3,450,718	3,626,276
-	1,368	-	1,368	1,171
-	78,691	18	78,709	221,808
60,280	27,919	2,040	90,239	97,297
<u>32,941,091</u>	<u>107,978</u>	<u>1,890,215</u>	<u>34,939,284</u>	<u>35,872,284</u>
5,203,039	863,845	269,756	6,336,640	5,951,581
655,096	123,936	7,246	786,278	799,518
75,682	13,959	12,595	102,236	117,339
48,192	1,206	1,454	50,852	51,980
13,780	2,496	1,927	18,203	25,915
331,142	2,496	4,078	337,716	362,137
223,155	8,285	10,399	241,839	250,407
604,323	176	1,358	605,857	546,900
229,313	33,954	5,592	268,859	211,104
106,297	19,434	3,898	129,629	118,009
72,500	12,410	2,071	86,981	88,712
89,997	26,281	6,189	122,467	149,907
20,650	663	69	21,382	38,279
434,336	43,209	5,851	483,396	446,492
32,344	28,947	1,771	63,062	53,928
11,264	47,665	-	58,929	47,385
1,575,285	-	-	1,575,285	1,181,691
22,879,176	-	-	22,879,176	24,037,799
1,824	-	19,109	20,933	(11,524)
34,405	2,417	1,379	38,201	44,557
8,190	1,200	241	9,631	14,664
-	-	2,160	2,160	26,189
4,968	3,718	1,646	10,332	12,026
93	86	107	286	2,383
<u>1,141,896</u>	<u>-</u>	<u>-</u>	<u>1,141,896</u>	<u>1,161,622</u>
<u>33,796,947</u>	<u>1,236,383</u>	<u>358,896</u>	<u>35,392,226</u>	<u>35,729,000</u>
<u>\$ (855,856)</u>	<u>\$ (1,128,405)</u>	<u>\$ 1,531,319</u>	<u>\$ (452,942)</u>	<u>\$ 143,284</u>