

THINK SMALL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

**THINK SMALL
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YEARS ENDED JUNE 30, 2015 AND 2014**

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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, 2015 and 2014, 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, 2015 and 2014, 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 12, 2015

THINK SMALL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,812,654	\$ 826,190
Accounts Receivable - Trade, Net	559,233	455,168
Program Receivables - Net	3,153,868	4,761,488
Pledges Receivable	66,494	318,604
Prepaid Expenses	201,247	209,512
Inventory, Net	633,766	577,255
Total Current Assets	7,427,262	7,148,217
NONCURRENT ASSETS		
Investments	1,361,098	1,345,163
Capitalized Development Costs, Net	1,081,407	1,017,670
Intangible Assets, Net	15,412	17,753
Security Deposits	12,400	12,400
Property and Equipment, Net	1,470,206	1,635,718
Total Noncurrent Assets	3,940,523	4,028,704
Total Assets	\$ 11,367,785	\$ 11,176,921
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Note Payable	\$ 21,682	\$ 20,826
Accounts Payable	1,643,523	1,644,162
Accrued Salary and Related Taxes	438,427	402,797
Other Accrued Expenses	1,797,326	3,147,154
Contract Advances	2,605,296	1,319,553
Deferred Revenue	20,473	24,649
Total Current Liabilities	6,526,727	6,559,141
LONG-TERM NOTE PAYABLE	393,400	415,140
Total Liabilities	6,920,127	6,974,281
NET ASSETS		
Unrestricted	3,943,198	3,740,182
Temporarily Restricted	504,460	462,458
Total Net Assets	4,447,658	4,202,640
Total Liabilities and Net Assets	\$ 11,367,785	\$ 11,176,921

See accompanying Notes to Financial Statements.

**THINK SMALL
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	\$ 632,065	\$ 537,411	\$ 1,169,476
In-Kind Contributions	7,560	-	7,560
Government Contracts	19,945,524	-	19,945,524
Other Contracts	15,000	-	15,000
Program Service Fees	435,606	-	435,606
Publication Sales	3,493,373	-	3,493,373
Interest and Dividends	4,200	-	4,200
Unrealized Gains on Investments	21,456	-	21,456
Other Revenue	106,075	-	106,075
Net Assets Released from Restriction Upon Satisfaction of Time and Program Restrictions	495,409	(495,409)	-
Total Revenues and Support	<u>25,156,268</u>	<u>42,002</u>	<u>25,198,270</u>
EXPENSES			
Program Expenses:			
Professional Development, Consultation and Coaching	2,304,571	-	2,304,571
Community Outreach and Access	477,640	-	477,640
Publishing	3,253,231	-	3,253,231
Library	72,306	-	72,306
Family Education and Referral	270,193	-	270,193
Scholarships and Other Financial Supports	17,139,098	-	17,139,098
Policy, Advocacy and Initiatives	185,430	-	185,430
Total Program Services	<u>23,702,469</u>	<u>-</u>	<u>23,702,469</u>
Support Services:			
Management and General	945,491	-	945,491
Fundraising	305,292	-	305,292
Total Support Services	<u>1,250,783</u>	<u>-</u>	<u>1,250,783</u>
Total Expenses	<u>24,953,252</u>	<u>-</u>	<u>24,953,252</u>
CHANGE IN NET ASSETS	203,016	42,002	245,018
Net Assets - Beginning of Year	<u>3,740,182</u>	<u>462,458</u>	<u>4,202,640</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,943,198</u></u>	<u><u>\$ 504,460</u></u>	<u><u>\$ 4,447,658</u></u>

See accompanying Notes to Financial Statements.

2014		
Unrestricted	Temporarily Restricted	Total
\$ 637,760	\$ 562,622	\$ 1,200,382
3,307	-	3,307
15,879,974	-	15,879,974
33,386	-	33,386
450,687	-	450,687
3,020,278	-	3,020,278
2,095	-	2,095
168,511	-	168,511
84,110	-	84,110
<u>297,258</u>	<u>(297,258)</u>	<u>-</u>
<u>20,577,366</u>	<u>265,364</u>	<u>20,842,730</u>
1,771,177	-	1,771,177
487,355	-	487,355
3,102,262	-	3,102,262
70,114	-	70,114
409,221	-	409,221
13,446,945	-	13,446,945
323,950	-	323,950
<u>19,611,024</u>	<u>-</u>	<u>19,611,024</u>
789,941	-	789,941
281,250	-	281,250
<u>1,071,191</u>	<u>-</u>	<u>1,071,191</u>
<u>20,682,215</u>	<u>-</u>	<u>20,682,215</u>
(104,849)	265,364	160,515
<u>3,845,031</u>	<u>197,094</u>	<u>4,042,125</u>
<u><u>\$ 3,740,182</u></u>	<u><u>\$ 462,458</u></u>	<u><u>\$ 4,202,640</u></u>

THINK SMALL
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,347,273	\$ 536,584	\$ 234,307	\$ 4,118,164
Payroll Taxes	251,617	38,366	16,764	306,747
Employee Benefits	493,840	51,016	16,817	561,673
Total Salaries and Benefits	<u>4,092,730</u>	<u>625,966</u>	<u>267,888</u>	<u>4,986,584</u>
Contract Services	1,168,551	126,600	4,186	1,299,337
Travel	85,979	18,757	1,751	106,487
Conferences, Meetings and Training	32,790	12,090	200	45,080
Supplies	28,840	2,478	1,104	32,422
Postage and Shipping	358,967	2,136	822	361,925
Printing and Copying	256,721	9,964	6,712	273,397
Sales and Marketing	409,718	4,849	659	415,226
Occupancy	182,169	5,564	874	188,607
Building Maintenance	98,755	10,221	4,897	113,873
Telephone	58,035	7,453	1,831	67,319
Computer Expense	85,994	12,153	5,350	103,497
Equipment and Repairs	19,327	215	108	19,650
Depreciation and Amortization	387,831	33,683	6,552	428,066
Insurance	27,597	24,313	1,044	52,954
Professional Fees	8,468	23,331	-	31,799
Grants	873,722	-	-	873,722
Scholarships	14,289,544	-	-	14,289,544
Bad Debts	12,932	1,045	5	13,982
Credit Card and Bank Fees	43,222	8,079	597	51,898
Interest	15,544	1,975	642	18,161
In-Kind Supplies	60	7,500	-	7,560
Subscriptions and Dues	3,420	2,673	40	6,133
Miscellaneous	456	4,446	30	4,932
	<u>22,541,372</u>	<u>945,491</u>	<u>305,292</u>	<u>23,792,155</u>
Cost of Sales	1,161,097	-	-	1,161,097
Total	<u>\$ 23,702,469</u>	<u>\$ 945,491</u>	<u>\$ 305,292</u>	<u>\$ 24,953,252</u>

See accompanying Notes to Financial Statements.

2014

Program Services	Management and General	Fundraising	Total
\$ 3,094,979	\$ 356,025	\$ 176,504	\$ 3,627,508
230,671	27,047	12,559	270,277
539,570	23,494	16,997	580,061
<u>3,865,220</u>	<u>406,566</u>	<u>206,060</u>	<u>4,477,846</u>
1,161,417	215,095	24,305	1,400,817
90,661	14,368	6,688	111,717
38,705	1,922	16,225	56,852
18,651	3,432	215	22,298
328,998	2,255	1,601	332,854
292,105	8,918	4,421	305,444
363,446	851	120	364,417
159,958	9,722	-	169,680
100,215	17,954	4,553	122,722
44,708	4,045	1,565	50,318
78,259	11,223	4,215	93,697
19,695	247	63	20,005
332,397	27,824	5,749	365,970
28,870	22,095	979	51,944
511	26,878	-	27,389
721,399	-	-	721,399
10,933,777	-	-	10,933,777
2,111	-	-	2,111
35,542	9,573	570	45,685
16,216	4,238	589	21,043
-	-	3,307	3,307
3,602	2,614	25	6,241
102	121	-	223
<u>18,636,565</u>	<u>789,941</u>	<u>281,250</u>	<u>19,707,756</u>
<u>974,459</u>	<u>-</u>	<u>-</u>	<u>974,459</u>
<u>\$ 19,611,024</u>	<u>\$ 789,941</u>	<u>\$ 281,250</u>	<u>\$ 20,682,215</u>

THINK SMALL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 245,018	\$ 160,515
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	206,176	208,827
Amortization	221,890	157,143
Unrealized Gains on Investments	(21,456)	(168,511)
Changes in Certain Assets and Liabilities:		
Accounts Receivable - Trade	(104,065)	3,810
Program Receivables	1,607,620	(3,477,654)
Pledges Receivable	252,110	(212,412)
Prepaid Expenses	8,265	(99,432)
Inventory	(56,511)	(28,982)
Capitalized Development Costs	(283,286)	(329,588)
Accounts Payable	(639)	919,362
Accrued Salary and Related Taxes	35,630	47,005
Other Accrued Expenses	(1,349,828)	2,909,792
Contract Advances	1,285,743	966,289
Deferred Revenue	(4,176)	(5,260)
Net Cash Provided by Operating Activities	2,042,491	1,050,904
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(40,664)	(20,889)
Purchase of Investments	(194,479)	-
Sales of Investments	200,000	4,188
Net Cash Used by Investing Activities	(35,143)	(16,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash in Excess of Deposits	-	(187,999)
Payments on Note Payable	(20,884)	(20,014)
Net Cash Used by Financing Activities	(20,884)	(208,013)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,986,464	826,190
Cash and Cash Equivalents - Beginning of Year	826,190	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,812,654	\$ 826,190
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 18,161	\$ 21,043

See accompanying Notes to Financial Statements.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 Karen; individual and site-based consultation and coaching support; business support to help maintain successful child care businesses; and career guidance for certification and licensing.

Community Outreach and Access

Think Small’s multilingual Outreach staff connect 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 183,000 products are distributed annually to customers both in the U.S. and abroad. Redleaf books are translated into 19 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 75 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 5,500 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, 2015 AND 2014**

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 serve approximately 3,200 families annually, with over 25% being non-English speaking. Referrals from Think Small to the parentawaratings.org provider search website resulted in 10,503 sessions.

Scholarships and Other Financial Supports

Think Small serves providers and families with targeted financial supports. Think Small administers nearly 4,500 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 the system on issues that concern our youngest children. This includes civic engagement and parent empowerment trainings 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

The Province 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, 2015 AND 2014**

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:

	2015	2014
Current	\$ 449,915	\$ 350,292
1-30 Days Due	90,832	89,948
31-60 Days Due	8,725	6,756
61-90 Days Due	7,012	5,222
90+ Days Due	5,498	5,900
Total Face Value of Accounts Receivable - Trade	<u>561,982</u>	<u>458,118</u>
Less: Allowance for Uncollectible Accounts	(2,749)	(2,950)
Total Accounts Receivable - Trade	<u>\$ 559,233</u>	<u>\$ 455,168</u>

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 \$3,678 and \$7,817 for the years ended June 30, 2015 and 2014, respectively.

When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Pledges Receivable

Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided. Pledges receivable are recorded at the promised amount as all amounts at June 30, 2015 and 2014 are due in one year or less.

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 \$41,998 and \$77,288 at June 30, 2015 and 2014, 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.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 provide 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, 2015 and 2014, approximately 91% and 95% 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, 2015 and 2014, Think Small received program supplies of \$60 and \$3,307, 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 \$7,500 of contributed services for the year ended June 30, 2015. No contributed services were recorded in 2014.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$116,723 and \$119,874 in the years ended June 30, 2015 and 2014, 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, 2015 or 2014.

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.

Subsequent Events

In preparing these financial statements, Think Small has evaluated events and transactions for potential recognition or disclosure through October 12, 2015, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the June 30, 2014 financial statements in order to present them in conformity with the June 30, 2015 financial statements. These reclassifications had no effect on net assets as previously reported.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Whitebox Relative Value Fund, Ltd.	\$ 334,391	\$ 374,148
Whitebox Credit Fund, Ltd.	297,030	345,369
Whitebox Long Short Equity Fund, Ltd.	39,548	39,784
Money Market Funds	103,787	9,669
Exchange Traded Funds, Closed End Funds	485,426	89,760
Corporate Fixed Income	100,916	195,577
Mutual Funds	-	290,856
Total	<u>\$ 1,361,098</u>	<u>\$ 1,345,163</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, 2015 and 2014 are as follows:

<u>June 30, 2015</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Whitebox Relative Value Fund, Ltd.	\$ 334,391	\$ -	\$ 334,391
Whitebox Credit Fund, Ltd.	297,030	-	297,030
Whitebox Long Short Equity Fund, Ltd.	39,548	-	39,548
Money Market Funds	103,787	103,787	-
Corporate Fixed Income	100,916	100,916	-
Exchange Traded Funds, Closed End Funds	485,426	485,426	-
Mutual Funds	-	-	-
Total	<u>\$ 1,361,098</u>	<u>\$ 690,129</u>	<u>\$ 670,969</u>

<u>June 30, 2014</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Whitebox Relative Value Fund, Ltd.	\$ 374,148	\$ -	\$ 374,148
Whitebox Credit Fund, Ltd.	345,369	-	345,369
Whitebox Long Short Equity Fund, Ltd.	39,784	-	39,784
Money Market Funds	9,669	9,669	-
Corporate Fixed Income	195,577	195,577	-
Exchange Traded Funds, Closed End Funds	89,760	89,760	-
Mutual Funds	290,856	290,856	-
Total	<u>\$ 1,345,163</u>	<u>\$ 585,862</u>	<u>\$ 759,301</u>

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 2014 are as follows:

	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
	<u>\$ 670,969</u>	<u>\$ -</u>		
	2014			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Whitebox Relative Value Fund, Ltd.	\$ 374,148	\$ -	Quarterly	60 Days
Whitebox Credit Fund, Ltd.	345,369	-	Quarterly	60 Days
Whitebox Long Short Equity Fund, Ltd	39,784	-	Monthly	60 Days
	<u>\$ 759,301</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.

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Land	\$ 205,000	\$ 205,000	-
Building	1,194,275	1,194,275	20 Years
Building Improvements	1,506,874	1,506,866	10 - 20 Years
Leasehold Improvements	8,150	8,150	5 Years
Computers	487,707	458,483	3 - 7 Years
Office Equipment	422,693	411,258	3 - 15 Years
Total	<u>3,824,699</u>	<u>3,784,032</u>	
Less: Accumulated Depreciation	<u>(2,354,493)</u>	<u>(2,148,314)</u>	
Net Property and Equipment	<u>\$ 1,470,206</u>	<u>\$ 1,635,718</u>	

THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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.

Maturities of the note payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 21,682
2017	21,283
2018	372,117
Total	<u>\$ 415,082</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 3.25% and maturity date of October 29, 2015. The line of credit is secured by all inventory, chattel paper, accounts receivable, equipment and general intangibles. At June 30, 2015 and 2014, 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, 2015 and 2014, 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, 2015 totaled \$212,706. Expenses under leases for the years ended June 30, 2015 and 2014 totaled \$106,024 and \$79,642, respectively. The future rental commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 107,511
2017	55,902
2018	18,050
2019	18,050
2020	13,193
Total	<u>\$ 212,706</u>

**THINK SMALL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
General Operations - Time Restricted	\$ 100,000	\$ 203,604
Professional Development, Consultation and Coaching	389,460	201,880
Community Outreach and Access	15,000	-
Policy, Advocacy and Initiatives	-	39,974
Publishing	-	17,000
Total	<u>\$ 504,460</u>	<u>\$ 462,458</u>

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

	<u>2015</u>	<u>2014</u>
General Operations - Time Restricted	\$ 203,604	\$ 56,192
Professional Development, Consultation and Coaching	239,653	142,523
Policy, Advocacy and Initiatives	15,000	53,558
Publishing	14,491	4,117
Library	22,661	40,868
Total	<u>\$ 495,409</u>	<u>\$ 297,258</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, 2015 and 2014, Think Small contributed \$118,679 and \$90,931, 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, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Preparing Early Childhood Professionals			
	Professional Development, Consultation and Coaching	Community Outreach and Access	Publishing	Library
REVENUES AND SUPPORT				
Contributions	\$ 398,500	\$ 16,250	\$ -	\$ 22,661
Government Contracts	2,012,654	409,513	-	36,809
Other Contracts	-	-	-	-
In-Kind Contributions	-	-	-	60
Program Service Fees	435,606	-	-	-
Publication Sales	-	-	3,493,373	-
Interest and Dividends	-	-	-	-
Unrealized Gains (Losses) from Investments	-	-	-	-
Other Revenue	3,677	-	67,732	597
Total Revenues and Support	<u>2,850,437</u>	<u>425,763</u>	<u>3,561,105</u>	<u>60,127</u>
EXPENSES				
Salaries and Benefits	1,302,825	356,830	750,155	51,246
Contract Services	490,765	42,659	11,452	445
Travel, Meals and Entertainment	42,051	12,694	24,689	349
Conferences, Meetings and Training	2,404	490	29,587	-
Supplies	6,473	2,284	1,718	1,154
Postage and Shipping	28,676	2,494	298,449	2,655
Printing and Copying	33,565	10,388	183,642	914
Sales and Marketing	8,206	6,271	393,853	-
Occupancy	147,191	17,927	3,593	-
Building Maintenance	48,328	5,044	15,846	4,861
Telecommunications	20,639	4,826	12,230	470
Computer Expense	13,000	3,873	39,458	396
Furniture and Fixtures; Equipment and Repairs	1,628	162	12,911	104
Depreciation and Amortization	64,010	8,818	267,265	5,869
Insurance	9,776	1,958	6,606	718
Professional Fees	-	-	468	-
Grants	57,138	-	-	2,378
Scholarships	-	-	-	-
Bad Debts (Recoveries)	12,902	-	30	-
Credit Card and Bank Fees	8,286	-	34,936	-
Interest	6,330	662	4,666	637
In-Kind Supplies	-	-	-	60
Subscriptions and Dues	173	160	472	50
Miscellaneous	205	100	108	-
Cost of Sales	-	-	1,161,097	-
Total Expenses	<u>2,304,571</u>	<u>477,640</u>	<u>3,253,231</u>	<u>72,306</u>
Change in Net Assets	<u>\$ 545,866</u>	<u>\$ (51,877)</u>	<u>\$ 307,874</u>	<u>\$ (12,179)</u>

Strengthening Families		Catalyzing Change					
Family Education and Referral	Scholarships and Other Financial Supports	Policy, Advocacy and Initiatives	Total Program	Management and General	Fundraising	2015 Total	2014 Total
\$ -	\$ -	\$ -	\$ 437,411	\$ -	\$ 732,065	\$ 1,169,476	\$ 1,200,382
278,822	17,207,726	-	19,945,524	-	-	19,945,524	15,879,974
-	-	15,000	15,000	-	-	15,000	33,386
-	-	-	60	7,500	-	7,560	3,307
-	-	-	435,606	-	-	435,606	450,687
-	-	-	3,493,373	-	-	3,493,373	3,020,278
-	-	-	-	4,200	-	4,200	2,095
-	-	-	-	21,464	(8)	21,456	168,511
-	-	-	72,006	34,069	-	106,075	84,110
278,822	17,207,726	15,000	24,398,980	67,233	732,057	25,198,270	20,842,730
222,668	1,249,924	159,082	4,092,730	625,966	267,888	4,986,584	4,477,846
-	622,742	488	1,168,551	126,600	4,186	1,299,337	1,400,817
778	791	4,627	85,979	18,757	1,751	106,487	111,717
100	100	109	32,790	12,090	200	45,080	56,852
3,957	13,216	38	28,840	2,478	1,104	32,422	22,298
9,236	17,457	-	358,967	2,136	822	361,925	332,854
4,957	21,829	1,426	256,721	9,964	6,712	273,397	305,444
1,328	-	60	409,718	4,849	659	415,226	364,417
9,224	3,220	1,014	182,169	5,564	874	188,607	169,680
2,906	19,915	1,855	98,755	10,221	4,897	113,873	122,722
3,422	15,062	1,386	58,035	7,453	1,831	67,319	50,318
2,303	16,571	10,393	85,994	12,153	5,350	103,497	93,697
62	4,420	40	19,327	215	108	19,650	20,005
5,907	32,263	3,699	387,831	33,683	6,552	428,066	365,970
1,052	7,035	452	27,597	24,313	1,044	52,954	51,944
-	8,000	-	8,468	23,331	-	31,799	27,389
-	814,206	-	873,722	-	-	873,722	721,399
-	14,289,544	-	14,289,544	-	-	14,289,544	10,933,777
-	-	-	12,932	1,045	5	13,982	2,111
-	-	-	43,222	8,079	597	51,898	45,685
386	2,620	243	15,544	1,975	642	18,161	21,043
-	-	-	60	7,500	-	7,560	3,307
1,907	140	518	3,420	2,673	40	6,133	6,241
-	43	-	456	4,446	30	4,932	223
-	-	-	1,161,097	-	-	1,161,097	974,459
270,193	17,139,098	185,430	23,702,469	945,491	305,292	24,953,252	20,682,215
\$ 8,629	\$ 68,628	\$ (170,430)	\$ 696,511	\$ (878,258)	\$ 426,765	\$ 245,018	\$ 160,515