

**THINK SMALL**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**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, 2014 and 2013, 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, 2014 and 2013, 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 6, 2014

**THINK SMALL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 826,190	\$ -
Accounts Receivable - Trade, Net	455,168	458,978
Program Receivables - Net	4,761,488	1,283,834
Pledges Receivable	318,604	106,192
Prepaid Expenses	209,512	110,080
Inventory, Net	577,255	548,273
Total Current Assets	7,148,217	2,507,357
<b>NONCURRENT ASSETS</b>		
Investments	1,345,163	1,180,840
Capitalized Development Costs, Net	1,017,670	842,884
Intangible Assets, Net	17,753	20,094
Security Deposits	12,400	12,400
Property and Equipment, Net	1,635,718	1,823,656
Total Noncurrent Assets	4,028,704	3,879,874
Total Assets	\$ 11,176,921	\$ 6,387,231
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Note Payable	\$ 20,826	\$ 19,959
Checks in Excess of Deposits	-	187,999
Accounts Payable	1,644,162	724,800
Accrued Salary and Related Taxes	402,797	355,792
Other Accrued Expenses	3,147,154	237,362
Contract Advances	1,319,553	353,264
Deferred Revenue	24,649	29,909
Total Current Liabilities	6,559,141	1,909,085
<b>LONG-TERM NOTE PAYABLE</b>	415,140	436,021
Total Liabilities	6,974,281	2,345,106
<b>NET ASSETS</b>		
Unrestricted	3,740,182	3,845,031
Temporarily Restricted	462,458	197,094
Total Net Assets	4,202,640	4,042,125
Total Liabilities and Net Assets	\$ 11,176,921	\$ 6,387,231

See accompanying Notes to Financial Statements.

**THINK SMALL**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 637,760	\$ 562,622	\$ 1,200,382
In-Kind Contributions	3,307	-	3,307
Government Contracts	15,879,974	-	15,879,974
Other Contracts	33,386	-	33,386
Program Service Fees	450,687	-	450,687
Publication Sales	3,020,278	-	3,020,278
Interest and Dividends	2,095	-	2,095
Unrealized Gains on Investments	168,511	-	168,511
Other Revenue	84,110	-	84,110
Net Assets Released from Restriction Upon Satisfaction of Time and Program Restrictions	<u>297,258</u>	<u>(297,258)</u>	<u>-</u>
Total Revenues and Support	<u>20,577,366</u>	<u>265,364</u>	<u>20,842,730</u>
<b>EXPENSES</b>			
Program Expenses:			
Family Education and Referral	409,221	-	409,221
Professional Development, Consultation and Coaching	1,771,177	-	1,771,177
Community Outreach and Access	487,355	-	487,355
Policy, Advocacy and Initiatives	323,950	-	323,950
Scholarships and Other Financial Supports	13,446,945	-	13,446,945
Publishing	3,102,262	-	3,102,262
Library	<u>70,114</u>	<u>-</u>	<u>70,114</u>
Total Program Services	<u>19,611,024</u>	<u>-</u>	<u>19,611,024</u>
Support Services:			
Management and General	789,941	-	789,941
Fundraising	<u>281,250</u>	<u>-</u>	<u>281,250</u>
Total Support Services	<u>1,071,191</u>	<u>-</u>	<u>1,071,191</u>
Total Expenses	20,682,215	-	20,682,215
Pass-Through Revenue	-	-	-
Pass-Through Expenses	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(104,849)	265,364	160,515
Net Assets - Beginning of Year	<u>3,845,031</u>	<u>197,094</u>	<u>4,042,125</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 3,740,182</u></u>	<u><u>\$ 462,458</u></u>	<u><u>\$ 4,202,640</u></u>

See accompanying Notes to Financial Statements.

2013		
Unrestricted	Temporarily Restricted	Total
\$ 351,744	\$ 262,847	\$ 614,591
24,494	-	24,494
6,240,950	-	6,240,950
228,343	-	228,343
413,892	-	413,892
2,860,809	-	2,860,809
647	-	647
125,789	-	125,789
52,710	-	52,710
<u>457,369</u>	<u>(457,369)</u>	<u>-</u>
<u>10,756,747</u>	<u>(194,522)</u>	<u>10,562,225</u>
672,129	-	672,129
1,687,145	-	1,687,145
683,130	-	683,130
357,363	-	357,363
3,545,465	-	3,545,465
2,923,046	-	2,923,046
<u>63,377</u>	<u>-</u>	<u>63,377</u>
<u>9,931,655</u>	<u>-</u>	<u>9,931,655</u>
789,795	-	789,795
280,415	-	280,415
<u>1,070,210</u>	<u>-</u>	<u>1,070,210</u>
11,001,865	-	11,001,865
139,026	-	139,026
<u>(139,026)</u>	<u>-</u>	<u>(139,026)</u>
<u>-</u>	<u>-</u>	<u>-</u>
(245,118)	(194,522)	(439,640)
<u>4,090,149</u>	<u>391,616</u>	<u>4,481,765</u>
<u>\$ 3,845,031</u>	<u>\$ 197,094</u>	<u>\$ 4,042,125</u>

**THINK SMALL**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,094,979	\$ 356,025	\$ 176,504	\$ 3,627,508
Payroll Taxes	230,671	27,047	12,559	270,277
Employee Benefits	539,570	23,494	16,997	580,061
Total Salaries and Benefits	<u>3,865,220</u>	<u>406,566</u>	<u>206,060</u>	<u>4,477,846</u>
Contract Services	1,161,417	215,095	24,305	1,400,817
Travel	90,661	14,368	6,688	111,717
Conferences, Meetings and Training	38,705	1,922	16,225	56,852
Supplies	18,651	3,432	215	22,298
Postage and Shipping	328,998	2,255	1,601	332,854
Printing and Copying	292,105	8,918	4,421	305,444
Sales and Marketing	363,446	851	120	364,417
Occupancy	159,958	9,722	-	169,680
Building Maintenance	100,215	17,954	4,553	122,722
Telephone	44,708	4,045	1,565	50,318
Computer Expense	78,259	11,223	4,215	93,697
Equipment and Repairs	19,695	247	63	20,005
Depreciation and Amortization	332,397	27,824	5,749	365,970
Insurance	28,870	22,095	979	51,944
Professional Fees	511	26,878	-	27,389
Public Policy	-	-	-	-
Grants	721,399	-	-	721,399
Scholarships	10,933,777	-	-	10,933,777
Bad Debts	2,111	-	-	2,111
Credit Card and Bank Fees	35,542	9,573	570	45,685
Interest	16,216	4,238	589	21,043
In-Kind Supplies	-	-	3,307	3,307
Subscriptions and Dues	3,602	2,614	25	6,241
Miscellaneous	102	121	-	223
	<u>18,636,565</u>	<u>789,941</u>	<u>281,250</u>	<u>19,707,756</u>
Cost of Sales	974,459	-	-	974,459
Total	<u>\$ 19,611,024</u>	<u>\$ 789,941</u>	<u>\$ 281,250</u>	<u>\$ 20,682,215</u>

See accompanying Notes to Financial Statements.



2013

Program Services	Management and General	Fundraising	Total
\$ 3,142,451	\$ 418,939	\$ 163,843	\$ 3,725,233
222,853	29,685	11,613	264,151
312,602	44,100	15,345	372,047
<u>3,677,906</u>	<u>492,724</u>	<u>190,801</u>	<u>4,361,431</u>
986,209	128,676	26,788	1,141,673
75,528	10,184	1,822	87,534
43,026	4,930	4,120	52,076
11,533	1,539	149	13,221
302,778	2,174	3,955	308,907
309,130	3,866	8,764	321,760
319,044	-	-	319,044
167,071	9,397	-	176,468
89,922	16,110	4,085	110,117
44,372	4,591	1,407	50,370
52,018	10,978	4,596	67,592
12,955	180	46	13,181
290,607	35,145	6,496	332,248
32,848	21,300	1,075	55,223
3,309	28,052	900	32,261
2,500	-	-	2,500
777,126	-	-	777,126
1,763,966	-	-	1,763,966
11,108	-	-	11,108
34,277	14,742	199	49,218
19,341	2,769	702	22,812
-	-	24,494	24,494
6,974	2,438	16	9,428
(2,369)	-	-	(2,369)
<u>9,031,179</u>	<u>789,795</u>	<u>280,415</u>	<u>10,101,389</u>
900,476	-	-	900,476
<u>\$ 9,931,655</u>	<u>\$ 789,795</u>	<u>\$ 280,415</u>	<u>\$ 11,001,865</u>

**THINK SMALL**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 160,515	\$ (439,640)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	208,827	222,548
Amortization	157,143	112,042
Unrealized Gains on Investments	(168,511)	(125,789)
Changes in Certain Assets and Liabilities:		
Accounts Receivable - Trade	3,810	(30,798)
Program Receivables	(3,477,654)	(731,870)
Pledges Receivable	(212,412)	262,924
Prepaid Expenses	(99,432)	17,052
Inventory	(28,982)	(4,012)
Capitalized Development Costs	(329,588)	(325,191)
Accounts Payable	919,362	292,183
Accrued Salary and Related Taxes	47,005	(26,851)
Other Accrued Expenses	2,909,792	201,592
Fiscal Agent Receivables and Liabilities	-	(897,684)
Contract Advances	966,289	353,264
Deferred Revenue	(5,260)	20,579
Net Cash Provided (Used) by Operating Activities	1,050,904	(1,099,651)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(20,889)	(55,375)
Sales of Investments	4,188	4,481
Net Cash Used by Investing Activities	(16,701)	(50,894)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash in Excess of Deposits	(187,999)	187,999
Payments on Note Payable	(20,014)	(20,386)
Net Cash Provided (Used) by Financing Activities	(208,013)	167,613
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	826,190	(982,932)
Cash and Cash Equivalents - Beginning of Year	-	982,932
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 826,190	\$ -
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 21,043	\$ 22,812

See accompanying Notes to Financial Statements.

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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:

**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 serve approximately 12,000 families annually.

**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. During the last fiscal year, nearly 11,250 early childhood professionals were served.

**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 assist families and providers navigating complex government systems, connecting them to resources and services available at Think Small and other organizations.

**Policy, Advocacy and Initiatives**

Think Small works across the state on a grassroots level and system-wide by 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 policy 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.

**THINK SMALL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1 DESCRIPTION OF ORGANIZATION (CONTINUED)**

**Scholarships and Other Financial Supports**

Think Small serves providers and families with targeted financial supports, matching families with eligibility-based scholarships to enroll children in programs with Parent Aware quality ratings. Think Small also provides Basic Sliding Fee Child Care Assistance for eligible low income families in Ramsey County. Providers are connected with quality improvement grants and emergency funding for early childhood programs.

**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. Approximately 170,000 products are distributed annually to customers both here in the U.S. and abroad. Redleaf books have been translated into 18 languages. Over 100 titles have been converted into e-books and other digital formats.

**Library**

The Debra S. Fish Early Childhood Library at Think Small is available statewide. Now numbering over 5,000 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 is supported primarily through contributions, governmental grants, foundation grants, program service fees and publication sales.

**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, 2014 AND 2013**

**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:

	2014	2013
Current	\$ 350,292	\$ 319,836
1-30 Days Due	89,948	59,497
31-60 Days Due	6,756	34,970
61-90 Days Due	5,222	40,276
90+ Days Due	5,900	8,798
Total Face Value of Accounts Receivable - Trade	458,118	463,377
Less: Allowance for Uncollectible Accounts	(2,950)	(4,399)
Total Accounts Receivable - Trade	<u>\$ 455,168</u>	<u>\$ 458,978</u>

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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 \$7,817 and \$6,057 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013 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 \$77,288 and \$58,576 at June 30, 2014 and 2013, 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, 2014 AND 2013**

**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, 2014 AND 2013**

**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, 2014 and 2013, approximately 95% and 88% 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, 2014 and 2013, Think Small received program supplies of \$3,307 and \$24,494, 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. No contributed services were recorded in the years ended June 30, 2014 or 2013.



**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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.

**Pass-Through Revenue and Expense**

Pass-through revenue and expenses relate to revenue and expenses for a separate organization, Parent Aware for School Readiness (PASR), a non-profit corporation which has applied for tax-exempt status, for which Think Small served as the fiscal agent. Think Small entered into an agreement with PASR effective January 1, 2012, and served as fiscal agent until PASR received its tax-exempt status in August 2012.

**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 \$119,874 and \$111,001 in the years ended June 30, 2014 and 2013, 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, 2014 or 2013.

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.

**Reclassifications**

Certain reclassifications have been made to the June 30, 2013 financial statements in order to present them in conformity with the June 30, 2014 financial statements. These reclassifications had no effect on net assets as previously reported.

**Subsequent Events**

In preparing these financial statements, Think Small has evaluated events and transactions for potential recognition or disclosure through October 6, 2014, the date the financial statements were available to be issued.

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 3 INVESTMENTS**

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

	<u>2014</u>	<u>2013</u>
Whitebox Concentrated Convertible Arbitrage Fund, Ltd.	\$ 374,148	\$ 304,380
Whitebox Credit Arbitrage Fund, Ltd.	345,369	294,926
Whitebox Long Short Equity Fund, Ltd.	39,784	36,214
Money Market Funds	9,669	212,184
Stocks	-	92,854
Exchange Traded Funds, Closed End Funds	89,760	66,851
Corporate Fixed Income	195,577	-
Government Securities	-	100,448
Mutual Funds	290,856	72,983
Total	<u>\$ 1,345,163</u>	<u>\$ 1,180,840</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, 2014 and 2013 are as follows:

<u>June 30, 2014</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Whitebox Concentrated Convertible Arbitrage Fund, Ltd.	\$ 374,148	\$ -	\$ 374,148
Whitebox Credit Arbitrage 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>
<u>June 30, 2013</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Whitebox Concentrated Convertible Arbitrage Fund, Ltd.	\$ 304,380	\$ -	\$ 304,380
Whitebox Credit Arbitrage Fund, Ltd.	294,926	-	294,926
Whitebox Long Short Equity Fund, Ltd.	36,214	-	36,214
Money Market Funds	212,184	212,184	-
Stocks	92,854	92,854	-
Exchange Traded Funds, Closed End Funds	66,851	66,851	-
Government Securities	100,448	100,448	-
Mutual Funds	72,983	72,983	-
Total	<u>\$ 1,180,840</u>	<u>\$ 545,320</u>	<u>\$ 635,520</u>

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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, 2014 and 2013 are as follows:

	2014			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Whitebox Concentrated Convertible Arbitrage Fund, Ltd.	\$ 374,148	\$ -	Quarterly	60 Days
Whitebox Credit Arbitrage Fund, Ltd.	345,369	-	Quarterly	60 Days
Whitebox Long Short Equity Fund, Ltd	39,784	-	Monthly	60 Days
	<u>\$ 759,301</u>	<u>\$ -</u>		
	2013			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Whitebox Concentrated Convertible Arbitrage Fund, Ltd.	\$ 304,380	\$ -	Quarterly	60 Days
Whitebox Credit Arbitrage Fund, Ltd.	294,926	-	Quarterly	60 Days
Whitebox Long Short Equity Fund, Ltd	36,214	-	Monthly	60 Days
	<u>\$ 635,520</u>	<u>\$ -</u>		

Whitebox Concentrated Convertible Arbitrage Fund, Ltd. (the Convertible Arbitrage Fund) is a “feeder” entity in a “master-feeder” structure, whereby the Convertible Arbitrage Fund invests substantially all of its assets in Whitebox Concentrated Convertible Arbitrage Partners, L.P. (the Convertible Arbitrage Master Fund). The Convertible Arbitrage Master Fund’s investment objective is to provide superior short-term, risk-adjusted returns through a convertible arbitrage trading strategy. To accomplish this, the Convertible Arbitrage Master Fund invests primarily in convertible debt, equity, and other securities of United States issuers. In addition to its investment in the Convertible Arbitrage Master Fund, the Convertible Arbitrage 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, 2014 AND 2013**

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

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

Whitebox Credit Arbitrage Fund, Ltd. (the Credit Arbitrage Fund) is a “feeder” entity in a “master-feeder” structure, whereby the Credit Arbitrage Fund invests substantially all of its assets in Whitebox Credit Arbitrage Partner, L.P. (the Credit Arbitrage Master Fund). The Credit Arbitrage 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 Arbitrage Master Fund, the Credit Arbitrage 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>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Land	\$ 205,000	\$ 205,000	-
Building	1,194,275	1,194,275	20 Years
Building Improvements	1,506,866	1,506,874	10 - 20 Years
Leasehold Improvements	8,150	8,150	5 Years
Computers	458,483	437,587	3 - 7 Years
Office Equipment	411,258	411,258	3 - 15 Years
Total	<u>3,784,032</u>	<u>3,763,144</u>	
Less: Accumulated Depreciation	<u>(2,148,314)</u>	<u>(1,939,488)</u>	
Net Property and Equipment	<u>\$ 1,635,718</u>	<u>\$ 1,823,656</u>	

**THINK SMALL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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>
2015	\$ 20,826
2016	21,682
2017	22,672
2018	370,786
Total	<u>\$ 435,966</u>

**NOTE 7 LINE OF CREDIT**

In August 2009, Think Small established a \$700,000 revolving line of credit with Bremer Bank with interest at the prime rate, not to drop below 4% at any time. The line of credit was renewed during fiscal 2014 with a current maturity date of September 17, 2014, at a new \$1,000,000 balance. Subsequent to year end, the line of credit was renewed with a current 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, 2014 and 2013, 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, 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, 2014 totaled \$238,464. Expenses under leases for the years ended June 30, 2014 and 2013 totaled \$79,642 and \$119,249, respectively. The future rental commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 98,771
2016	97,271
2017	42,422
Total	<u>\$ 238,464</u>

**THINK SMALL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2014</u>	<u>2013</u>
General Operations - Time Restricted	\$ 203,604	\$ 56,192
Policy, Advocacy and Initiatives	39,974	55,323
Professional Development, Consultation and Coaching	201,880	67,079
Publishing	17,000	-
Library	-	18,500
Total	<u>\$ 462,458</u>	<u>\$ 197,094</u>

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

	<u>2014</u>	<u>2013</u>
General Operations - Time Restricted	\$ 56,192	\$ 279,116
Family Education and Referral	-	3,500
Policy, Advocacy and Initiatives	53,558	98,132
Professional Development, Consultation, and Coaching	142,523	76,621
Publishing	4,117	-
Library	40,868	-
Total	<u>\$ 297,258</u>	<u>\$ 457,369</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, 2014 and 2013, Think Small contributed \$90,931 and \$89,011, 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, 2014**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Family Education and Referral	Professional Development, Consultation and Coaching	Community Outreach and Access	Policy, Advocacy and Initiatives	Scholarships and Other Financial Supports
<b>REVENUES AND SUPPORT</b>					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Government Contracts	434,406	1,392,186	510,275	7,464	13,533,954
Other Contracts	-	3,386	-	30,000	-
In-Kind Contributions	-	-	-	-	-
Program Service Fees	-	450,687	-	-	-
Publication Sales	-	-	-	-	-
Interest and Dividends	-	-	-	-	-
Unrealized Gains (Losses) from Investments	-	-	-	-	-
Other Revenue	-	3,556	2,305	-	2,500
Total Revenues and Support	<u>434,406</u>	<u>1,849,815</u>	<u>512,580</u>	<u>37,464</u>	<u>13,536,454</u>
<b>EXPENSES</b>					
Salaries and Benefits	313,631	1,075,294	317,309	254,668	996,629
Contract Services	8,681	375,791	32,683	18,781	716,825
Travel	1,895	38,992	8,050	13,709	5,646
Conferences, Meetings and Training	90	4,070	119	350	259
Supplies	712	5,294	1,341	2,083	5,691
Postage and Shipping	4,444	8,426	2,545	138	14,551
Printing and Copying	12,111	25,247	10,657	3,544	18,682
Sales and Marketing	2,238	-	450	1,847	-
Occupancy	24,789	86,373	46,862	1,114	820
Building Maintenance	11,094	38,265	12,346	2,810	13,254
Telephone	4,114	10,022	5,551	2,034	10,073
Computer Expense	2,506	15,816	3,684	10,382	11,149
Equipment and Repairs	153	1,121	170	39	7,837
Depreciation and Amortization	16,213	52,675	17,864	4,626	23,965
Insurance	2,474	7,459	3,591	904	5,489
Professional Fees	-	-	-	-	511
Public Policy	-	-	-	-	-
Grants	-	11,176	22,011	-	686,713
Scholarships	-	25	401	6,283	10,927,068
Bad Debts (Recoveries)	-	3,606	-	-	-
Credit Card and Bank Fees	-	6,516	-	-	-
Interest	1,416	4,907	1,561	301	1,715
In-Kind Supplies	-	-	-	-	-
Subscriptions and Dues	2,660	70	160	337	-
Miscellaneous	-	32	-	-	68
Cost of Sales	-	-	-	-	-
Total Expenses	<u>409,221</u>	<u>1,771,177</u>	<u>487,355</u>	<u>323,950</u>	<u>13,446,945</u>
Change in Net Assets	<u>\$ 25,185</u>	<u>\$ 78,638</u>	<u>\$ 25,225</u>	<u>\$ (286,486)</u>	<u>\$ 89,509</u>

Publishing	Library	Total Program	Management and General	Fundraising	2014 Total	2013 Total
\$ -	\$ -	\$ -	\$ -	\$ 1,200,382	\$ 1,200,382	\$ 614,591
-	1,231	15,879,516	458	-	15,879,974	6,240,950
-	-	33,386	-	-	33,386	228,343
-	-	-	-	3,307	3,307	24,494
-	-	450,687	-	-	450,687	413,870
3,020,278	-	3,020,278	-	-	3,020,278	2,861,380
-	-	-	2,095	-	2,095	647
-	-	-	168,522	(11)	168,511	125,789
31,560	822	40,743	43,367	-	84,110	52,161
<u>3,051,838</u>	<u>2,053</u>	<u>19,424,610</u>	<u>214,442</u>	<u>1,203,678</u>	<u>20,842,730</u>	<u>10,562,225</u>
857,594	50,095	3,865,220	406,566	206,060	4,477,846	4,361,431
6,358	2,298	1,161,417	215,095	24,305	1,400,817	1,141,673
22,021	348	90,661	14,368	6,688	111,717	87,534
33,817	-	38,705	1,922	16,225	56,852	52,076
2,650	880	18,651	3,432	215	22,298	13,221
298,840	54	328,998	2,255	1,601	332,854	308,907
221,095	769	292,105	8,918	4,421	305,444	321,760
358,911	-	363,446	851	120	364,417	319,044
-	-	159,958	9,722	-	169,680	176,468
16,850	5,596	100,215	17,954	4,553	122,722	110,117
12,513	401	44,708	4,045	1,565	50,318	50,370
34,449	273	78,259	11,223	4,215	93,697	67,592
10,299	76	19,695	247	63	20,005	13,181
210,761	6,293	332,397	27,824	5,749	365,970	332,248
8,174	779	28,870	22,095	979	51,944	55,223
-	-	511	26,878	-	27,389	32,261
-	-	-	-	-	-	2,500
-	1,499	721,399	-	-	721,399	777,126
-	-	10,933,777	-	-	10,933,777	1,763,966
(1,495)	-	2,111	-	-	2,111	11,108
29,026	-	35,542	9,573	570	45,685	49,218
5,593	723	16,216	4,238	589	21,043	22,812
-	-	-	-	3,307	3,307	24,494
345	30	3,602	2,614	25	6,241	9,428
2	-	102	121	-	223	(2,369)
<u>974,459</u>	<u>-</u>	<u>974,459</u>	<u>-</u>	<u>-</u>	<u>974,459</u>	<u>900,476</u>
<u>3,102,262</u>	<u>70,114</u>	<u>19,611,024</u>	<u>789,941</u>	<u>281,250</u>	<u>20,682,215</u>	<u>11,001,865</u>
<u>\$ (50,424)</u>	<u>\$ (68,061)</u>	<u>\$ (186,414)</u>	<u>\$ (575,499)</u>	<u>\$ 922,428</u>	<u>\$ 160,515</u>	<u>\$ (439,640)</u>