

THINK Together
Certified Public Accountants'
Audited Financial Statements

Years Ended June 30, 2011 and 2010

THINK Together

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Independent Accountants' Report on Financial Statements

To the Board of Directors
THINK Together

We have audited the accompanying statement of financial position of THINK Together (a California non-profit corporation) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of THINK Together's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THINK Together as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011 on our consideration of THINK Together's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stephens, Reidinger + Beller LLP

Newport Beach, CA
October 25, 2011

THINK Together

STATEMENT OF FINANCIAL POSITION

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,723,796	\$ 227,544
School district contracts receivable	2,656,838	4,678,946
Grants and donations receivable	581,979	537,652
Prepaid expenses	100,490	109,929
Total current assets	<u>7,063,103</u>	<u>5,554,071</u>
Property and equipment - net of accumulated depreciation	1,098,587	1,188,002
Other assets - deposits	<u>270,736</u>	<u>146,626</u>
Total assets	<u><u>\$ 8,432,426</u></u>	<u><u>\$ 6,888,699</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,665,448	\$ 1,053,363
Accrued payroll and related liabilities	2,176,815	1,620,697
Lines of credit and current portion of long-term obligations	56,800	1,987,646
Total current liabilities	<u>3,899,063</u>	<u>4,661,706</u>
Long term obligations - net of current portion	2,434,564	513,683
Deferred revenue	<u>780,000</u>	<u>800,000</u>
Total liabilities	7,113,627	5,975,389
Net assets		
Unrestricted	1,093,799	713,310
Temporarily restricted	225,000	200,000
Permanently restricted	-	-
	<u>1,318,799</u>	<u>913,310</u>
Total liabilities and net assets	<u><u>\$ 8,432,426</u></u>	<u><u>\$ 6,888,699</u></u>

The accompanying notes are an integral part of these financial statements.

THINK Together

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Revenue	2011		
	Unrestricted	Temporarily Restricted	Total
Public support			
Corporate donations	\$ 2,092,136	\$ 25,000	\$ 2,117,136
Individual donations	236,772	-	236,772
Church donations	30,906	-	30,906
Foundations	1,852,044	-	1,852,044
United Way	152,049	-	152,049
Government grants	593,333	-	593,333
School district contract services	33,628,487	-	33,628,487
Other program services	1,006,245	-	1,006,245
Contributed assets and facilities	216,451	-	216,451
Net assets released from restrictions	-	-	-
Total public support	<u>39,808,423</u>	<u>25,000</u>	<u>39,833,423</u>
Interest and other income	<u>134,121</u>	<u>-</u>	<u>134,121</u>
Total revenue and support	39,942,544	25,000	39,967,544
Expenses			
Program services	35,564,549	-	35,564,549
Management and general	2,851,897	-	2,851,897
Fundraising	1,145,609	-	1,145,609
Total expenses	<u>39,562,055</u>	<u>-</u>	<u>39,562,055</u>
Change in net assets	380,489	25,000	405,489
Beginning net assets	<u>713,310</u>	<u>200,000</u>	<u>913,310</u>
Ending net assets	<u>\$ 1,093,799</u>	<u>\$ 225,000</u>	<u>\$ 1,318,799</u>

The accompanying notes are an integral part of these financial statements.

THINK Together

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	2010		
	Unrestricted	Temporarily Restricted	Total
Revenue			
Public support			
Corporate donations	\$ 1,896,886	\$ 100,000	\$ 1,996,886
Individual donations	145,674	100,000	245,674
Church donations	36,445	-	36,445
Foundations	491,586	-	491,586
United Way	114,450	-	114,450
Government grants	548,000	-	548,000
School district contract services	28,173,333	-	28,173,333
Other program services	1,339,851	-	1,339,851
Contributed assets and facilities	160,423	-	160,423
Net assets released from restrictions	255,000	(255,000)	-
Total public support	33,161,648	(55,000)	33,106,648
Interest and other income	75,411	-	75,411
Total revenue and support	33,237,059	(55,000)	33,182,059
Expenses			
Program services	29,749,132	-	29,749,132
Management and general	2,490,867	-	2,490,867
Fundraising	676,683	-	676,683
Total expenses	32,916,682	-	32,916,682
Change in net assets	320,377	(55,000)	265,377
Beginning net assets	392,933	255,000	647,933
Ending net assets	\$ 713,310	\$ 200,000	\$ 913,310

The accompanying notes are an integral part of these financial statements.

THINK Together

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Out of School Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Subtotal</u>	
Advertising	\$ 21,801	\$ 209	\$ 43,147	\$ 43,356	\$ 65,157
Bank charges	3,895	38,504	2,537	41,041	44,936
Computer and software expenses	343,611	54,253	6,943	61,196	404,807
Consulting	271,294	21,475	330,213	351,688	622,982
Copying and printing	280,474	38,034	18,981	57,015	337,489
Depreciation	12,128	155,836	-	155,836	167,964
Insurance-general	2,154	231,930	-	231,930	234,084
Insurance-health	853,558	63,294	21,689	84,983	938,541
Insurance-workers comp.	777,794	29,169	4,774	33,943	811,737
Interest	14,785	168,797	-	168,797	183,582
Legal and accounting	6,354	41,157	-	41,157	47,511
Maintenance and repairs	26,186	8,403	-	8,403	34,589
Travel and mileage	343,916	36,691	8,561	45,252	389,168
Office expense	153,614	227,539	37,439	264,978	418,592
Outside/subcontracted services	1,880,306	-	-	-	1,880,306
Postage	23,393	16,973	5,916	22,889	46,282
Promotion	86,710	8,102	11,549	19,651	106,361
Rent	818,874	252,708	336	253,044	1,071,918
Salaries and wages	24,797,965	1,316,235	285,836	1,602,071	26,400,036
School supplies	1,729,521	1,393	28,682	30,075	1,759,596
Special events	141,184	4,092	311,987	316,079	457,263
Staff development	134,017	5,994	1,377	7,371	141,388
Taxes - payroll	2,625,097	86,360	24,413	110,773	2,735,870
Telecommunications	191,861	44,749	1,229	45,978	237,839
Utilities	24,057	-	-	-	24,057
	<u>\$ 35,564,549</u>	<u>\$ 2,851,897</u>	<u>\$1,145,609</u>	<u>\$ 3,997,506</u>	<u>\$39,562,055</u>

The accompanying notes are an integral part of these financial statements.

THINK Together

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Out of School Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Subtotal</u>	
Advertising	\$ 12,455	\$ -	\$ 22,691	\$ 22,691	\$ 35,146
Bank charges	6,406	37,125	385	37,510	43,916
Computer and software expenses	159,374	21,657	7,078	28,735	188,109
Consulting	420,616	166,033	232,638	398,671	819,287
Copying and printing	249,570	45,505	46,551	92,056	341,626
Depreciation	12,000	143,419	-	143,419	155,419
Insurance-general	2,335	224,070	-	224,070	226,405
Insurance-health	666,184	46,627	21,255	67,882	734,066
Insurance-workers comp.	556,577	15,569	4,271	19,840	576,417
Interest	15,117	57,370	-	57,370	72,487
Legal and accounting	43,051	35,160	-	35,160	78,211
Maintenance and repairs	27,988	18,261	-	18,261	46,249
Travel and mileage	138,154	3,399	16,736	20,135	158,289
Office expense	108,879	26,432	10,445	36,877	145,756
Outside/subcontracted services	1,955,078	154,141	-	154,141	2,109,219
Postage	15,885	13,740	3,182	16,922	32,807
Promotion	39,789	4,280	892	5,172	44,961
Rent	766,405	241,342	-	241,342	1,007,747
Salaries and wages	20,586,752	1,107,979	273,641	1,381,620	21,968,372
School supplies	1,438,965	14,691	3,745	18,436	1,457,401
Special events	69,694	3,869	9,683	13,552	83,246
Staff development	79,918	6,579	333	6,912	86,830
Taxes-payroll	2,223,499	68,550	22,452	91,002	2,314,501
Telecommunications	130,472	35,069	705	35,774	166,246
Utilities	23,969	-	-	-	23,969
	<u>\$ 29,749,132</u>	<u>\$ 2,490,867</u>	<u>\$ 676,683</u>	<u>\$ 3,167,550</u>	<u>\$ 32,916,682</u>

The accompanying notes are an integral part of these financial statements.

THINK Together

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase in net assets	\$ 405,489	\$ 265,377
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	167,964	155,419
(Increase) decrease in assets		
Accounts receivables	1,977,781	(1,149,798)
Prepaid expenses	9,439	(38,911)
Other assets - deposits	(124,110)	(32,017)
Increase (decrease) in liabilities		
Accounts payable	612,085	(12,566)
Accrued payroll and related liabilities	556,118	206,424
Deferred revenue	(20,000)	(200,000)
Total adjustments	<u>3,179,277</u>	<u>(1,071,449)</u>
Net cash provided (used) by operating activities	<u>3,584,766</u>	<u>(806,072)</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(78,549)</u>	<u>(103,512)</u>
Net cash used by investing activities	<u>(78,549)</u>	<u>(103,512)</u>
Cash flows from financing activities		
Proceeds from financing activities	2,000,000	1,066,172
Payments on financing activities	<u>(2,009,965)</u>	<u>(23,800)</u>
Net cash provided (used) by financing activities	<u>(9,965)</u>	<u>1,042,372</u>
Net increase in cash and cash equivalents	3,496,252	132,788
Cash and cash equivalents at beginning of year	<u>227,544</u>	<u>94,756</u>
Cash and cash equivalents at end of year	<u>\$ 3,723,796</u>	<u>\$ 227,544</u>
Supplemental disclosure		
Cash paid during the year for interest	<u>\$ 183,944</u>	<u>\$ 68,946</u>

The accompanying notes are an integral part of these financial statements.

THINK Together

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

Organization and Nature of Services

THINK Together is a non-profit, tax-exempt, California corporation formed for the purpose of providing high quality "out-of-school time" programs to young people regardless of race, creed or socio-economic status. These programs include daily comprehensive academic support programs for at-risk students, small group tutoring programs also known as Supplemental Educational Services, parent-pay and subsidized school age care programs, and fee-based hourly enrichment programs. These programs operate mostly during the school year, but summer programs are a growing component of THINK Together's services.

THINK Together provides these services at more than two hundred fifty schools across twenty-two public school districts in California. In addition, THINK Together provides services at private schools and community-based sites. During the fiscal year ended June 30, 2011, THINK Together served more than 75,000 students.

THINK Together's services are provided under a variety of financial arrangements. The largest portion of these services is the daily comprehensive academic support programs provided to public school districts. THINK Together serves as a sub-contractor to these districts where it provides program services, volunteer recruitment, financial reporting, program evaluation and raises matching funds through philanthropy. THINK Together's community site programs are funded entirely through philanthropy, while its school age care and hourly enrichment programs are funded via parent-pay tuition and state and federal subsidies.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Organization.

Financial Statement Presentation

THINK Together reports financial information in accordance with Accounting Standards Codification ("ASC") Topic No. 958-205 *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, THINK Together is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In accordance with these requirements, THINK Together has classified its financial statements to present the three classes of net assets required. At June 30, 2011, THINK Together had temporarily restricted assets of \$225,000 and no permanently restricted net assets.

THINK Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The financial statements are presented on the accrual basis of accounting. Management has evaluated subsequent events through October 25, 2011, the date which the financial statements were available for issue.

Donated Services, Materials and Facilities

Donated materials have been included in the accompanying financial statements where estimates of market value were available to measure the value of such materials. The total of donated materials during the year ended June 30, 2011 and 2010 were \$129,654 and \$76,650, respectively. Contributed facilities are reported as public support income and rental expense based on the estimated usage value of the premises. The total of contributed facilities during the years ended June 30, 2011 and 2010 were \$61,106 and \$58,977, respectively. In addition, program meals donated to THINK Together for the years ended June 30, 2011 and 2010 amounted to \$25,691 and \$24,796, respectively. Donated services are recognized when a nonfinancial asset is created or specialized skills are required and the organization would otherwise need to purchase the services. In addition, a substantial number of volunteers have donated over 169,000 hours and 153,000 hours of their time to THINK Together during the years ended June 30, 2011 and 2010 respectively. The value of this time and related expense has not been included in the accompanying financial statements.

Cash, Cash Equivalents and Concentration of Credit Risk

For purposes of the statement of cash flows, THINK Together considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

THINK Together maintains its cash with commercial banks which at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. THINK Together believes these funds are all maintained in high quality financial institutions which limits its risk. THINK Together has not incurred losses related to carrying cash balances in excess of the FDIC insurance limits.

Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. THINK Together provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the collectability of the various accounts receivables.

THINK Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

THINK Together follows the practice of capitalizing all material expenditures for property and equipment. Donated property is capitalized at its estimated fair market value at the time of donation. Depreciation of furniture and equipment is recorded on the straight-line basis over five years. Buildings are depreciated over thirty years on the straight-line basis.

Promises to Give

THINK Together employs Accounting Standards of Codification (“ASC”) Topic No. 958-605 *Not-for-Profit Entities – Revenue Recognition* to account for its contributions. In accordance with ASC 958-605, contributions are recognized when the donor makes a promise to give to THINK Together that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

Income Taxes

THINK Together is exempt from federal income taxes under the 501(c)(3) provisions of the Internal Revenue Code and is exempt from the state franchise tax under Section 23701(d) of the California Revenue and Taxation code. No provision for income tax liability is therefore required.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THINK Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Funds received in advance of program services or activities to be performed or delivered in future periods are recorded as deferred revenue in the accompanying Statement of Financial Position. Revenues relating to such advance payments are recognized as the required services or activities are performed and related exchange transaction is completed. Deferred revenue was \$780,000 and \$800,000 at June 30, 2011 and 2010, respectively.

NOTE 2: CONCENTRATION OF SCHOOL DISTRICT CONTRACT REVENUE AND RECEIVABLES

THINK Together serves as a subcontractor to school districts where it provides a variety of program services. For the year ended June 30, 2011, school district contracts comprised 85% of THINK Together's operating revenue. Under these subcontractor arrangements, school districts act as the Lead Education Agency (LEA), or fiscal agent, and have been awarded grant funding by either the California Department of Education (CDE) or the U.S. Department of Education to provide program services. Partnering school districts have in turn contracted THINK Together to provide the comprehensive delivery and administrative oversight of the funded programs. Contracted program services provided by THINK Together have two primary sources of funding: 1) California Department of Education (CDE) grant funding for after school programming funded by Proposition 49, and 2) Federal funding through the 21st Century Community Learning Centers program (administered by the CDE). For THINK Together, 66% of its operating revenue (78% of total school district contract revenue) relates to CDE Proposition 49 grant funding; and 17% of its total operating revenue (20% of total school district contract revenue) relates to U.S. Department of Education 21st Century Community Centers funding.

For the fiscal years ending June 30, 2011 and 2010, school district contract revenue for THINK Together was comprised of the following sources of State and Federal grant funding:

THINK Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011 and 2010

NOTE 2: CONCENTRATION OF SCHOOL DISTRICT CONTRACT REVENUE AND RECEIVABLES (continued)

	<u>2011</u>	<u>2010</u>
California Department of Education (CDE) – Proposition 49 After School Education and Safety Act (ASES)	\$ 26,383,155	\$ 21,553,508
U.S. Department of Education – High Quality Supplemental Educational Services (HQ SES) and After School Partnerships Demonstration Program	416,800	416,800
Corporation for National & Community Service (CNCS) – THINK Together AmeriCorps Leadership Program	236,005	-
City of Duarte – TRIBES Gang Prevention Program	14,928	-
U.S. Department of Education – 21st Century Community Learning Centers (21st CCLC) (administered by the CDE)	<u>6,577,599</u>	<u>6,203,025</u>
Total	<u>\$33,628,487</u>	<u>\$ 28,173,333</u>

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 and 2010 consists of the following:

	2011	2010
Land	\$ 512,000	\$ 512,000
Building	370,090	360,000
Computers	247,084	205,084
Office furniture	327,003	327,003
Office equipment	168,160	141,701
Leasehold improvements	<u>112,769</u>	<u>112,769</u>
	1,737,106	1,658,557
Less: accumulated depreciation	<u>(638,519)</u>	<u>(470,555)</u>
Total property and equipment	<u>\$ 1,098,587</u>	<u>\$ 1,188,002</u>

THINK Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011 and 2010

NOTE 3: PROPERTY AND EQUIPMENT (continued)

THINK Together operates two community based programs in the Shalimar neighborhood of Costa Mesa in rented facilities. On January 31, 2008 THINK Together acquired a 4-unit apartment building for \$872,000 (refer to Note 5) in the Shalimar neighborhood to allow for program expansion and to secure the long term future of the program in the Shalimar neighborhood.

NOTE 4: LINES OF CREDIT

THINK Together has a bank line of credit that provides for borrowings of up to \$7,500,000 through December 1, 2012. A \$2,000,000 subordinate loan was obtained from St. Joseph Health Systems in order to maintain the full \$7,500,000 line of credit available to the Organization. Borrowings on this line of credit are permitted based on outstanding accounts receivable balances and are collateralized by receivables and other organization assets. Under the terms of the line of credit agreement, THINK Together is required to meet and maintain certain financial covenants. As of June 30, 2011 and 2010, THINK Together was in compliance with these covenants. Interest on this line of credit is payable monthly at the bank's prime rate (3.25%) plus 2% which results in an effective rate of 5.25% at June 30, 2011. There was no outstanding balance on the line of credit at June 30, 2011. The outstanding balance as of June 30, 2010 was \$1,463,846.

THINK Together's \$500,000 line of credit with St. Joseph Health System, which was outstanding at June 30, 2010, was paid during the year ended June 30, 2011 in connection with the long term financing arrangement described in Note 5.

NOTE 5: LONG-TERM OBLIGATIONS

On October 28, 2010, THINK Together obtained a five year loan in the amount of \$2,000,000 from St. Joseph Health System to provide working capital needs related to the Organization and to satisfy the requirements for the bank's line of credit of \$7,500,000 as mentioned in Note 4. The loan accrues interest daily at the rate of 4.25% per year and the Organization has agreed to repay the full principal amount of the loan and interest accrued within five years of the date of agreement. Starting in December 2010, payments were due and payable in 60 consecutive monthly installments of principal and interest in the amount of \$9,839 per month. The outstanding balance of the loan as of June 30, 2011 is \$1,977,681.

On January 31, 2008 THINK Together financed the acquisition of the 4-unit apartment building referred to in Note 3 under the terms of a \$595,000 note and deed of trust payable secured by the property. This note, which matures January 31, 2018, has monthly installments of principal of \$1,983.

THINK Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011 and 2010

NOTE 5: LONG-TERM OBLIGATIONS (continued)

Interest on this note is payable monthly at the bank's base rate which was 3.25% at June 30, 2011. The outstanding balance of this note was \$513,683 and 537,483 at June 30, 2011 and 2010, respectively.

Maturities of long-term obligations are as follows:

<u>Year ended June 30,</u>	
2012	\$ 58,485
2013	59,988
2014	61,556
2015	63,192
Thereafter	<u>2,248,144</u>
Total	<u>\$ 2,491,365</u>

NOTE 6: OBLIGATIONS UNDER OPERATING LEASE

THINK Together had various leases for its facilities. The lease agreements having an original term of more than one year expire on various dates through September 2016.

Minimum lease obligations for these facilities are as follows:

<u>Year</u>	<u>Base Rent</u>
2012	\$ 992,623
2013	744,378
2014	576,810
2015	271,795
Thereafter	<u>339,743</u>
Total	<u>\$ 2,925,349</u>

Rent expense was \$1,071,918 for the year ended June 30, 2011.

THINK Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2011 and 2010

NOTE 7: RELATED PARTY TRANSACTIONS

During the years ended June 30, 2011 and 2010, THINK Together purchased its business insurance at market rates through an insurance agency that employs the sister-in-law of THINK Together's President.

THINK Together
Single Audit Report on Federal Awards
Year Ended June 30, 2011

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
THINK Together

We have audited the financial statements of THINK Together, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered THINK Together's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of THINK Together's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of THINK Together's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected in a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether THINK Together's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephens, Reidinger + Belle LLP

Newport Beach, California
October 25, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

To the Board of Directors
THINK Together

Compliance

We have audited THINK Together's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of THINK Together's major federal programs for the year ended June 30, 2011. THINK Together's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of THINK Together's management. Our responsibility is to express an opinion on THINK Together's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about THINK Together's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on THINK Together's compliance with those requirements.

In our opinion, THINK Together complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of THINK Together is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered THINK Together's internal control over compliance with requirements that could have a direct and material effect on a major federal program to

determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of THINK Together's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen, Reidinger + Beller LLP

Newport Beach, California
October 25, 2011

THINK Together

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	CFDA <u>No.</u>	Federal <u>Expenditures</u>
U.S. Department of Education		
Passed through the California Department of Education		
21st Century Community Learning Centers Program		
Grant ID# 10-14349-6781-5A	84.287	\$ 990,258
Grant ID# 10-14349-Z415-4A	84.287	286,569
Grant ID# 10-14349-6787-5A	84.287	40,824
Grant ID# 10-14349-6667-5A	84.287	2,756,624
Grant ID# 10-14349-6667-5B	84.287	954,381
Grant ID# 10-14535-6667-6A	84.287	511,190
Grant ID# 10-14603-6667-6A	84.287	47,619
Grant ID# 10-14604-6667-6A	84.287	38,095
Grant ID# 10-14349-6427-6A	84.287	293,139
Grant ID# 10-14535-6427-6A	84.287	485,000
Grant ID# 10-14603-6427-6A	84.287	47,000
Grant ID# 10-14765-6427-6A	84.287	70,500
Grant ID# 10-14788-6427-6A	84.287	56,400
		<hr style="width: 100%; border: 0.5px solid black;"/> 6,577,599
HQ SES Demonstration Program		
Grant ID# U287N080063A	84.287	416,800
Corporation for National & Community Service		
Passed through California Volunteers		
THINK Together AmeriCorps Leadership Program		
Grant ID# 09ACHY17-C122	94.006	236,005
Total Federal Awards		<hr style="width: 100%; border: 0.5px solid black;"/> <u>\$ 7,230,404</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

THINK Together

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

Scope of Presentation

The accompanying schedule presents the expenses incurred by THINK Together that are reimbursable under federal programs of federal financial assistance. For purposes of the schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by THINK Together from non-federal organizations. Only the portion of program expenses reimbursable with such federal funds are reported in the accompanying schedule. Program expenses in excess of the maximum federal reimbursements authorized or the portion of program expenses that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

Basis of Accounting

The expenses included in the accompanying schedule were reported on the accrual basis of accounting.

Subrecipient Expenses

There were no payments made to subrecipients for the year ended June 30, 2011.

THINK Together

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2011

PRIOR PERIOD AUDIT REPORT

There were no audit findings in the previous year.

THINK Together

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

SUMMARY OF AUDITORS' RESULTS

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control nor were there any significant deficiencies based upon our audit of the financial statements of the auditee.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses nor were there any significant deficiencies in internal control over major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditors' to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was the 21st Century Community Learning Centers Program pass-through assistance from the U.S. Department of Education, CFDA # 84.287.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee did not meet the requirements of a low risk auditee as defined by OMB Circular A-133, paragraph .530 for the year ended June 30, 2011 for purposes of major program determination.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

There were no auditors' findings required to be reported in accordance with GAGAS.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AS DEFINED IN PARAGRAPH .510(a) AT OMB CIRCULAR A-133

There were no auditors' findings or questioned costs to be reported in accordance with paragraph .510(a) at OMB Circular A-133.