THINK Together
Certified Public Accountants'
Audited Financial Statements

Years Ended June 30, 2018 and 2017

THINK Together

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Financial Statements

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Independent Auditors' Report on Financial Statements

To the Board of Directors
THINK Together

We have audited the accompanying financial statements of THINK Together (a California non-profit corporation), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 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 audits 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 auditor's judgment, including the assessment of the risk 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 Together as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 1, 2018 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* in considering THINK Together's internal control over financial reporting and compliance.

Stephens, Reidinger + Beller LLP

Newport Beach, CA
November 1, 2018

THINK Together

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS

	2018	2017
Current assets		
Cash and cash equivalents	$ 554,959	$ 433,759
School district contracts receivable, net of allowance for doubtful accounts	2,728,396	3,196,071
Grants, donations and other receivables	200,755	425,746
Due from affiliate	1,005,221	841,041
Prepaid expenses	418,243	145,485
Total current assets	4,907,574	5,042,102
Property and equipment - net of accumulated depreciation	7,234,151	7,291,217
Other assets	1,120,236	906,153
Total assets	$ 13,261,961	$ 13,239,472

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable	$ 2,141,704	$ 1,907,006
Accrued payroll and related liabilities	2,403,530	2,428,754
Line of credit	274,571	653,113
Current maturities of long-term debt	351,676	456,406
Current portion of service obligation	519,098	504,317
Deferred revenue and rental obligations	258,234	201,521
Total current liabilities	5,948,813	6,151,117
Long-term debt - net of current maturities	1,706,226	1,703,231
Long-term service obligation - net of current portion	1,650,377	2,169,475
Deferred revenue and rental obligations - long-term	117,890	81,848
Total liabilities	9,423,306	10,105,671
Net assets		
Unrestricted	3,564,652	2,863,534
Temporarily restricted	274,003	270,267
Permanently restricted	-	-
Total net assets	3,838,655	3,133,801
Total liabilities and net assets	$ 13,261,961	$ 13,239,472

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

THINK Together

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	2018		
Revenue	Unrestricted	Temporarily Restricted	Total
Public support			
Corporate donations	$ 644,542	$ -	$ 644,542
Individual donations	398,117	-	398,117
Foundations	1,706,335	-	1,706,335
School district contract services	47,030,119	-	47,030,119
Contributed assets and services	649,615	-	649,615
Net assets released from restrictions	18,000	(18,000)	-
Total public support	50,446,728	(18,000)	50,428,728
Interest, rental and other income	1,030,966	21,736	1,052,702
Total revenue and support	51,477,694	3,736	51,481,430
Expenses			
Program services	44,657,734	-	44,657,734
Management and general	5,175,372	-	5,175,372
Fundraising	943,470	-	943,470
Total expenses	50,776,576	-	50,776,576
Change in net assets	701,118	3,736	704,854
Beginning net assets	2,863,534	270,267	3,133,801
Ending net assets	$ 3,564,652	$ 274,003	$ 3,838,655

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

THINK Together

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	2017		
Revenue	Unrestricted	Temporarily Restricted	Total
Public support			
Corporate donations	$ 361,111	$ -	$ 361,111
Individual donations	538,571	2,500	541,071
Foundations	1,894,037	-	1,894,037
School district contract services	45,189,469	-	45,189,469
Contributed assets and services	559,363	-	559,363
Net assets released from restrictions	1,395	(1,395)	-
Total public support	48,543,946	1,105	48,545,051
Interest, rental and other income	607,916	28,762	636,678
Total revenue and support	49,151,862	29,867	49,181,729
Expenses			
Program services	42,742,221	-	42,742,221
Management and general	4,370,437	-	4,370,437
Fundraising	1,248,458	-	1,248,458
Total expenses	48,361,116	-	48,361,116
Change in net assets	790,746	29,867	820,613
Beginning net assets	2,072,788	240,400	2,313,188
Ending net assets	$ 2,863,534	$ 270,267	$ 3,133,801

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

THINK Together

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	Program Services	Supporting Services			
	Out of School Programs	Management and General	Fund Raising	Subtotal	Total
Advertising	$ 30,420	$ 30,008	$ 30,008	$ 60,016	$ 90,436
Bank charges	2,506	45,109	-	45,109	47,615
Computer and software expenses	245,198	303,268	3,122	306,390	551,588
Consulting	80,045	211,586	65,778	277,364	357,409
Copying and printing	409,413	8,376	26,918	35,294	444,707
Depreciation	14,541	453,867	-	453,867	468,408
Insurance-general	-	397,802	-	397,802	397,802
Insurance-health	886,673	49,414	12,622	62,036	948,709
Insurance-workers comp.	542,074	20,037	4,662	24,699	566,773
Interest	10,209	247,508	-	247,508	257,717
Legal and accounting	22,268	433,551	-	433,551	455,819
Maintenance and repairs	109,898	152,600	262	152,862	262,760
Travel and mileage	492,258	55,420	21,069	76,489	568,747
Office expense	335,916	123,723	87,159	210,882	546,798
Outside/subcontracted services	1,137,107	15,330	4,631	19,961	1,157,068
Postage	57,122	13,538	4,687	18,225	75,347
Promotion	118,616	10,916	4,299	15,215	133,831
Provision for doubtful accounts	-	100,000	-	100,000	100,000
Rent	897,157	3,529	-	3,529	900,686
Salaries and wages	33,497,991	2,080,811	553,323	2,634,134	36,132,125
School supplies	2,136,080	-	40	40	2,136,120
Special events	91,061	26,886	48,803	75,689	166,750
Staff development	197,124	23,957	32,580	56,537	253,661
Taxes - payroll	3,088,199	119,464	42,087	161,551	3,249,750
Taxes - property, other	13,452	73,385	-	73,385	86,837
Telecommunications	199,379	33,489	1,420	34,909	234,288
Utilities	43,027	141,798	-	141,798	184,825
	$ 44,657,734	$ 5,175,372	$ 943,470	$ 6,118,842	$ 50,776,576

THINK Together

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Program Services	Supporting Services			
	Out of School Programs	Management and General	Fund Raising	Subtotal	Total
Advertising	$ 121	$ 2,165	$ 40,897	$ 43,062	$ 43,183
Bank charges	-	29,655	-	29,655	29,655
Computer and software expenses	331,379	91,468	16,760	108,228	439,607
Consulting	89,181	145,847	266,654	412,501	501,682
Copying and printing	388,144	11,051	29,350	40,401	428,545
Depreciation	12,326	429,353	-	429,353	441,679
Insurance-general	-	397,898	-	397,898	397,898
Insurance-health	824,089	38,055	13,958	52,013	876,102
Insurance-workers comp.	525,452	18,749	4,936	23,685	549,137
Interest	11,170	263,206	-	263,206	274,376
Legal and accounting	570,898	129,853	-	129,853	700,751
Maintenance and repairs	49,145	226,874	-	226,874	276,019
Travel and mileage	453,866	47,217	21,934	69,151	523,017
Office expense	309,030	140,812	33,529	174,342	483,371
Outside/subcontracted services	1,249,734	112,418	3,278	115,696	1,365,430
Postage	60,602	13,843	9,579	23,422	84,024
Promotion	101,396	11,584	69,921	81,505	182,901
Rent	809,167	21,356	-	21,356	830,523
Salaries and wages	31,318,078	1,871,156	577,166	2,448,322	33,766,400
School supplies	1,964,292	1,256	9,096	10,352	1,974,644
Special events	110,983	40,964	83,494	124,458	235,441
Staff development	141,141	23,756	21,855	45,611	186,752
Taxes - payroll	2,996,512	93,142	43,816	136,958	3,133,470
Taxes - property, other	14,129	52,274	-	52,274	66,403
Telecommunications	366,660	17,343	2,235	19,578	386,238
Utilities	44,726	139,142	-	139,142	183,868
	$ 42,742,221	$ 4,370,437	$ 1,248,458	$ 5,618,896	$ 48,361,116

THINK Together

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Increase in net assets	$ 704,854	$ 820,613
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	468,408	441,679
Provision for doubtful accounts	100,000	-
Equity interest loss (income) in benefit corporation	(206,885)	209,091
(Increase) decrease in assets		
Accounts receivables	592,666	(626,019)
Prepaid expenses	(272,758)	9,591
Due from affiliate	(164,180)	(501,330)
Deposits	(7,198)	12,922
Increase (decrease) in liabilities		
Accounts payable	234,698	939,889
Accrued payroll and related liabilities	(25,224)	335,649
Deferred revenue and rental obligations	92,755	66,243
Total adjustments	812,282	887,715
Net cash provided (used) by operating activities	1,517,136	1,708,328
Cash flows from investing activities		
Acquisition of property and equipment	(380,091)	(52,242)
Deferred lease commissions	(31,251)	(17,094)
Net cash provided (used) by investing activities	(411,342)	(69,336)
Cash flows from financing activities		
Payments on line of credit	(378,542)	(994,139)
Satisfaction of service obligation	(504,317)	(489,957)
Payments on long-term debt	(101,735)	(107,487)
Net cash provided (used) by financing activities	(984,594)	(1,591,583)
Net increase in cash and cash equivalents	121,200	47,409
Cash and cash equivalents at beginning of year	433,759	386,350
Cash and cash equivalents at end of year	$ 554,959	$ 433,759
Supplemental disclosure		
Cash paid during the year for interest	$ 179,788	$ 202,342

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

Organization and Nature of Services

THINK Together is a non-profit, tax-exempt, California organization that partners with schools to change the odds for kids. THINK Together offers Expanded Learning Programs in Early Learning, Afterschool and Student Support Services for students in low-performing school districts. THINK Together also provides systems change in schools to support teachers and administrators through affiliate partner Principal's Exchange.

THINK Together offers programs in 400 sites across 47 public school districts in California. During the fiscal year ended June 30, 2018, THINK Together served more than 150,000 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. THINK Together's early learning programs are funded via state and county subsidies.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The financial statements are presented on the accrual basis of accounting. Management has evaluated subsequent events through November 1, 2018, the date which the financial statements were available for issue.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, THINK Together had temporarily restricted assets of $274,003 and no permanently restricted net assets.

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. Donated materials during the year ended June 30, 2018 were $109,615. There were no donated materials during the year ended June 30, 2017. Contributed facilities are reported as public support income and rental expense based on the estimated usage value of the premises. There were no contributed facilities during the years ended June 30, 2018 and 2017. In addition, program meals donated to THINK Together for the year ended June 30, 2017 amounted to $39,363 and there were no donated meals for the year ended June 30, 2018. 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. Donated services for the years ended June 30, 2018 and 2017 were $540,000 and $520,000, respectively. In addition, a substantial number of volunteers have donated 96,801 hours and 117,658 hours of their time to THINK Together during the years ended June 30, 2018 and 2017, respectively. The value of this time and related expense has not been included in the accompanying financial statements.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. During the year ended June 30, 2018, the organization established a provision for doubtful accounts of $100,000. There was no allowance required for the year ended June 30, 2017.

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 is recorded on the straight-line basis over the estimated useful life as follows:

Building	30 years
Building and leasehold improvements	4 - 10 years
Office, furniture and equipment	3 - 7 years

Long-lived assets held and used by THINK Together are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. Management does not believe there to be an impairment of long-lived assets as of June 30, 2018.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expense

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.

Revenue Recognition

The primary source for THINK Together's revenue is through public support. Public support comes mostly in the form of contributions from individuals and corporations, foundation and government grants, and service contracts with school districts. Contribution income is recognized either when it is received or a pledge is determined to be certain and eminent. Grant income is recognized as the related service obligation is completed. Service contract income is recognized ratably over the related contract term.

Deferred Revenue and Rental Obligations

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. In addition, THINK Together utilizes a rent normalization account to equalize lease payments over the life of each individual lease when rental reduction incentives are provided at the commencement of the lease. Deferred revenue and rental obligations consist of the following:

	2018		2017	
	Current Portion	Long Term Portion	Current Portion	Long Term Portion
Deferred revenue	$ 221,675	$ -	$ 130,000	$ -
Security deposits	-	34,175	-	46,522
Deferred rent	36,559	83,715	71,521	35,326
Total	$ 258,234	$ 117,890	$ 201,521	$ 81,848

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2018 and 2017 was $90,436 and $43,183, 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, 2018, school district contracts comprised 93% 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 three primary sources of funding: 1) California Department of Education (CDE) grant funding for after school programming funded by Proposition 49, 2) Federal funding through the 21st Century Community Learning Centers program (administered by the CDE), and 3) Other Local School District Discretionary Funding Sources. For THINK Together, 75% of its operating revenue (80% of total school district contract revenue) relates to CDE Proposition 49 grant funding; and 6% of its total operating revenue (7% 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, 2018 and 2017, school district contract revenue for THINK Together was comprised of the following sources of State and Federal grant funding.

	2018	2017
California Department of Education (CDE) –Proposition 49 After School Education and Safety Act (ASES)	$ 37,694,110	$ 35,829,205
U.S. Department of Education - 21st Century Community Learning Centers (21st CCLC) (administered by the CDE)	3,142,726	3,327,545
Other Local School District Discretionary Funding Sources (LCFF)	6,193,283	6,032,719
Total	$ 47,030,119	$ 45,189,469

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 consists of the following:

	2018	2017
Land	$ 4,352,000	$ 4,352,000
Building	1,381,824	1,381,824
Building improvements	2,328,202	2,222,418
Office, furniture and equipment	1,086,129	835,266
Leasehold and tenant improvements	144,479	144,479
Construction in progress	30,512	7,068
	9,323,146	8,943,055
Less: accumulated depreciation	(2,088,995)	(1,651,838)
Total property and equipment	$ 7,234,151	$ 7,291,217

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 6) 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: OTHER ASSETS

Other assets consist of the following:

	2018	2017
Deposits	$ 83,461	$ 77,732
Deferred lease commissions	50,739	49,270
Goodwill	350,000	350,000
Investment in benefit corporation	636,036	429,151
Total	$ 1,120,236	$ 906,153

NOTE 5: LINE OF CREDIT

THINK Together has a line of credit with Comerica Bank that provides for borrowings of up to $7,500,000 through December 1, 2019, except during the period from September 1 to December 31 of each year, when the limit increases to $9,500,000. Borrowings on this line of credit are permitted based on outstanding accounts receivable balances and are collateralized by a Deed of Trust that creates a lien on the security interest in the headquarters of THINK Together located in Santa Ana, CA, 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, 2018 and 2017, THINK Together was in compliance with these covenants. Interest on this line of credit is payable monthly at the bank's prime rate (5%) plus 1.25% which results in an effective rate of 6.25% at June 30, 2018. The outstanding balance on the line of credit at June 30, 2018 and 2017 was $274,571 and $653,113, respectively, and will be due on December 1, 2019.

NOTE 6: LONG-TERM DEBT

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 5. This loan is subordinate to Comerica Bank's line of credit.

The loan originally accrued interest daily at the rate of 4.25% per year and effective July 1, 2012, the interest rate was reduced to 2.17%. The Organization 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. In November 2015, St. Joseph Health System agreed to extend the loan for an additional 60 months and it is now due on November 30, 2020. The outstanding balance of the loan was $1,453,282 and $1,538,753 at June 30, 2018 and 2017, respectively. On June 4, 2018, St. Joseph Health System assigned and transferred the loan and all its rights to Providence St. Joseph Health Investment Trust.

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. On February 22, 2018, the note was refinanced in the amount of $357,000. The new note is payable in monthly installments of $1,190 plus interest and will be due on March 1, 2028.

Interest on this note is payable monthly at the elected LIBOR-based rate, which resulted in a weighted average rate of 4.14% at June 30, 2018. The outstanding balance of this note was $354,620 and $370,884 at June 30, 2018 and 2017, respectively.

NOTE 6: LONG-TERM DEBT (continued)

In connection with its additional investment in Principal's Exchange (See Note 10), THINK Together became obligated under a $250,000 non-interest bearing note payable due December 31, 2018 to a former shareholder of Principal's Exchange and in exchange received a corresponding $250,000 non-interest bearing revolving note receivable from Principal's Exchange. The $250,000 note payable is subordinated to THINK Together's obligations to Comerica Bank (See Note 5).

Maturities of long-term debt are as follows:

Year ended June 30,		
2019	$	351,676
2020		103,592
2021		1,290,854
2022		14,280
2023		14,280
Thereafter		283,220
Total	$	2,057,902

NOTE 7: LONG-TERM SERVICE OBLIGATION

In August of 2012, THINK Together acquired a 52,000 square foot office complex on 2.3 acres of land in Santa Ana for use as its administrative offices with proceeds from a $5,000,000 advance for future services from Children and Families Commission of Orange County (CFCOC). Under terms of an agreement with CFCOC, THINK Together is obligated to provide Early Literacy and Math Program services in exchange for this advance for a 10 year period, starting on July 1, 2012.

This obligation, which is collateralized by a deed of trust on the property, is being amortized over the 10 year service period with an imputed interest rate of 2.89%. The unamortized balance of this obligation was $2,169,475 at June 30, 2018 and $2,673,792 at June 30, 2017.

NOTE 8: OBLIGATIONS UNDER OPERATING LEASES

THINK Together has various leases for its facilities. The lease agreements having an original term of more than one year expire on various dates through November 2025.

NOTE 8: OBLIGATIONS UNDER OPERATING LEASES (continued)

Minimum lease obligations for these facilities are as follows:

Year	Base Rent
2019	$ 561,594
2020	462,434
2021	463,270
2022	437,671
2023	450,222
Thereafter	701,699
Total	$ 3,076,890

Rent expense was $900,686 and $830,522 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9: INVESTMENT IN BENEFIT CORPORATION

THINK Together entered into an agreement on January 7, 2015 to purchase 25,000 common shares of stock with a stated value of $10 per share for $250,000 in Principal's Exchange, a California benefit corporation. The initial investment constituted approximately 17% of the outstanding voting stock of Principal's Exchange and, accordingly, was accounted for under the cost method of accounting.

In March of 2016, THINK Together acquired an additional 35,000 shares of Principal's Exchange stock for $350,000, raising THINK Together's ownership of voting stock to approximately 41%. This additional purchase was financed with $200,000 in cash and a $150,000 non-interest bearing note payable obligation that was paid on December 21, 2016. As a result of the increased ownership, THINK Together was required to change its accounting method for this investment from the cost method to the equity method of accounting. THINK Together has elected early adoption of FASB ASU No. 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323)* and therefore retroactive adjustment for the investment is not required in connection with the change from the cost method to the equity method. Instead, the equity method is applied prospectively as of the date the investment became qualified for the equity method of accounting.

Under the equity method of accounting, THINK Together recorded income of $206,885 for the year ended June 30, 2018 and a loss of $209,091 for the year ended June 30, 2017 from its proportionate share of Principal's Exchange's net income.

THINK Together's investment in Principal's Exchange is included at cost of $600,000 plus its share of income or loss under the equity method in other assets in the accompanying Statement of

NOTE 9: INVESTMENT IN BENEFIT CORPORATION (continued)

Financial Position. The investment value was $636,036 and $429,151 as of June 30, 2018 and 2017, respectively.

Summary results of operations and financial position of Principal's Exchange were as follows:

Condensed income statement information for the year ended June 30,	2018	2017
Net contract service revenue	$ 4,233,981	$ 2,965,877
Net comprehensive (loss) income	504,597	(509,978)

Condensed balance sheet information at June 30,	2018	2017
Current asserts	$ 1,336,011	$ 708,945
Intangible assets	1,495,600	1,495,600
Total assets	$ 2,831,611	$ 2,204,545
Current liabilities	$ 1,206,077	$ 1,334,847
Long term liabilities	150,000	150,000
Pension benefit obligation	799,193	547,954
Equity	676,341	171,744
Total liabilities and equity	$ 2,831,611	$ 2,204,545

NOTE 10: RELATED PARTY TRANSACTIONS

Beginning September 2016, THINK Together and Principal's Exchange entered into an agreement in which Principal's Exchange provides supplemental services to two school districts with whom THINK Together has an existing service contract. During the year ended June 30, 2018, THINK Together received $529,269 in connection with the supplemental services and subsequently remitted the payments to Principal's Exchange. During the year ended June 30, 2017, THINK Together received $882,353 in connection with the supplemental services and subsequently remitted the payments to Principal's Exchange. In addition, program expenses in the amount of $269,716 and $543,189, related to the supplemental services provided by Principal's Exchange, was paid by THINK Together and were included in the due from affiliate balance as of June 30, 2018 and 2017, respectively.

NOTE 10: RELATED PARTY TRANSACTIONS (continued)

THINK Together has an outstanding receivable of $250,000 due under a revolving non-interest bearing note receivable from Principal's Exchange (See Note 6). THINK Together also provided $210,000 and $175,000 in administrative and business development services to Principal's Exchange for the years ended June 30, 2018 and 2017, respectively. Additionally, Principal's Exchange provided $31,489 and $107,900 in consulting services to THINK Together during June 30, 2018 and 2017, respectively. Beginning July 2017, THINK Together began to accrue interest at 5.50% per annum on the outstanding receivable balance and the total accrued interest as of June 30, 2018 was $57,356. The net receivable balance for the related party transactions between THINK Together and Principal's Exchange, which also includes ordinary administrative and other costs and expenses, was $1,005,221 and $841,041 as of June 30, 2018 and 2017, respectively, and is included as due from affiliate in the accompanying statement of financial position. In management's opinion, repayment of these receivables and advances will be realized in the ordinary course of operating activities and these amounts will be collected in full.

As described in Note 6, THINK Together is obligated under terms of a $250,000 subordinated note payable to a former shareholder of Principal's Exchange. This obligation, which was entered into in connection with the $250,000 revolving line of credit referred to in the preceding paragraph, is due to a member of THINK Together's Board of Directors.

In other ongoing related party arrangements during 2018 and 2017, THINK Together continues to purchase its business insurance at market rates through an insurance agency that employs the sister-in-law of THINK Together's CEO. In addition, the wife of the CEO is employed as its Director of Administration. Additionally, THINK Together engaged one of its board members to provide legal services.

Management believes all transactions and contractual agreements referred to above were at competitive fair market value rates. The Board of Directors has approved each transaction in advance applying the tests of fairness and benefit to the Organization in accordance with regulatory requirements.

THINK Together

Single Audit Report on Federal Awards

Year Ended June 30, 2018

Stephens, Reidinger & Beller LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S 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, 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, the financial statements of THINK Together (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered THINK Together's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 and correct, 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 on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephens, Reidinger + Beller LLP

Newport Beach, California
November 1, 2018

Stephens, Reidinger & Beller LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
THINK Together

Report on Compliance for Each Major Federal Program

We have audited THINK Together's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of THINK Together's major federal programs for the years ended June 30, 2018 and 2017. THINK Together's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of THINK Together's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audits 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audits 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 a major federal program 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 on compliance for each major federal program. However, our audits do not provide a legal determination of THINK Together's compliance.

Opinion on Each Major Federal Program

In our opinion, THINK Together complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2018 and 2017.

Report on Internal Control Over Compliance

Management of THINK Together is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered THINK Together's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stephens, Reidinger + Beller LLP

Newport Beach, California
November 1, 2018

THINK Together

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Fiscal Year Ended June 30, 2018

Name of Agency or Department	Name of Program	CFDA No.	Name of Pass-through Entity	Identifying Number	Awards Expended
U.S. Department of Education	21st Century Community Learning Centers Program	84.287	California Department of Education	36-14349-6781-0A	$ 209,795
				19-14349-6427-0A	179,550
				19-14535-6429-9A	237,500
				19-14604-6429-9A	19,000
				19-14765-6427-7A	23,750
				33-14349-6709-0A	268,043
				33-14349-2186-0A	27,150
				36-14349-6791-0A	104,698
				36-14349-6758-0A	64,874
				19-14349-6481-9A	664,116
				33-14535-6708-9A	712,500
				33-14603-6708-9A	71,250
				33-14535-6720-9A	475,000
				33-14603-6720-9A	47,500
				33-14604-6720-9A	38,000
				Total Expenditures of Federal Awards	$ 3,142,726

THINK Together

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of THINK Together under programs of the federal government for the year ended June 30, 2018. 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. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of THINK Together, it is not intended to and does not present the financial position, changes in net assets, or cash flows of THINK Together.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

Scope of Presentation

The accompanying schedule presents expenses incurred by THINK Together that are reimbursable under federal programs of federal financial assistance.

Basis of Accounting

The expenses included in the accompanying schedule were reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited for reimbursement.

Subrecipient Expenses

There were no payments made to subrecipients for the year ended June 30, 2018.

Indirect Cost Rate

THINK Together has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

THINK Together

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2018

PRIOR PERIOD AUDIT REPORT

There were no audit findings in the previous year.

THINK Together

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2018

SUMMARY OF AUDITORS' RESULTS

1. An unmodified 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 audits 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 unmodified report was issued by the auditors on compliance for major programs.
6. The audits disclosed no audit findings required by the auditors' to be reported in accordance with 2 CFR Section 200.516(a).
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 $750,000.
9. The auditee met the requirements of a low risk auditee as defined by OMB Circular A-133, paragraph .530 for the year ended June 30, 2018 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

There were no auditors' findings or questioned costs to be reported in accordance with 2 CFR Section 200.516(a).