

**Think Together
Certified Public Accountants'
Audited Financial Statements**

Years Ended June 30, 2020 and 2019

Think Together

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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, 2020 and 2019, 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, 2020 and 2019, 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 January 21, 2021 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
January 21, 2021

Think Together

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,143,983	\$ 728,026
School district contracts receivable, net of allowance for doubtful accounts	3,807,827	2,542,221
Grants, donations and other receivables	987,159	420,739
Due from affiliate	988,418	1,112,956
Prepaid expenses	589,709	200,381
Total current assets	<u>7,517,096</u>	<u>5,004,323</u>
Property and equipment - net of accumulated depreciation	9,109,880	9,232,098
Other assets	<u>1,393,401</u>	<u>1,021,607</u>
Total assets	<u><u>\$ 18,020,377</u></u>	<u><u>\$ 15,258,028</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accrued liabilities	\$ 3,098,840	\$ 2,405,372
Accrued payroll and related liabilities	2,691,512	2,691,745
Current maturities of long-term debt	145,558	138,982
Current portion of service obligation	549,973	534,312
Deferred revenue and rental obligations	3,140,754	687,890
Total current liabilities	<u>9,626,637</u>	<u>6,458,301</u>
Long-term debt - net of current maturities	2,541,686	2,687,244
Long-term service obligation - net of current portion	566,092	1,116,065
Deferred revenue and rental obligations - long-term	<u>289,324</u>	<u>242,295</u>
Total liabilities	<u>13,023,739</u>	<u>10,503,905</u>
Net assets		
Net assets without donor restrictions	4,724,067	4,478,154
Net assets with donor restrictions	<u>272,571</u>	<u>275,969</u>
Total net assets	<u>4,996,638</u>	<u>4,754,123</u>
Total liabilities and net assets	<u><u>\$ 18,020,377</u></u>	<u><u>\$ 15,258,028</u></u>

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

Think Together

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue			
Public support			
Corporate donations	\$ 552,661	\$ -	\$ 552,661
Individual donations	383,564	23,373	406,937
Foundations	1,908,137	-	1,908,137
School district contract services	61,793,165	-	61,793,165
Contributed assets and services	856,053	-	856,053
Net assets released from restrictions	17,750	(17,750)	-
Total public support	65,511,330	5,623	65,516,953
Interest, rental and other income	838,414	(9,021)	829,393
Total revenue and support	66,349,744	(3,398)	66,346,346
Expenses			
Program services	58,510,639	-	58,510,639
Management and general	6,241,247	-	6,241,247
Fundraising	1,351,945	-	1,351,945
Total expenses	66,103,831	-	66,103,831
Change in net assets	245,913	(3,398)	242,515
Beginning net assets	4,478,154	275,969	4,754,123
Ending net assets	\$ 4,724,067	\$ 272,571	\$ 4,996,638

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

Think Together

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue			
Public support			
Corporate donations	\$ 375,461	\$ -	\$ 375,461
Individual donations	432,566	-	432,566
Foundations	2,243,901	-	2,243,901
School district contract services	49,081,680	-	49,081,680
Contributed assets and services	545,208	-	545,208
Net assets released from restrictions	6,000	(6,000)	-
Total public support	52,684,816	(6,000)	52,678,816
Interest, rental and other income	1,152,929	7,966	1,160,895
Total revenue and support	53,837,745	1,966	53,839,711
Expenses			
Program services	46,687,980	-	46,687,980
Management and general	5,373,879	-	5,373,879
Fundraising	862,384	-	862,384
Total expenses	52,924,243	-	52,924,243
Change in net assets	913,502	1,966	915,468
Beginning net assets	3,564,652	274,003	3,838,655
Ending net assets	\$ 4,478,154	\$ 275,969	\$ 4,754,123

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

Think Together

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	<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	\$ 35,726	\$ 33,057	\$ 50,792	\$ 83,849	\$ 119,575
Bank charges	42,415	80,850	411	81,261	123,676
Computer and software expenses	599,072	521,527	5,562	527,089	1,126,161
Consulting	204,211	502,761	87,002	589,763	793,974
Copying and printing	433,242	24,827	41,789	66,616	499,858
Depreciation	86,466	406,341	-	406,341	492,807
Insurance-general	-	479,145	-	479,145	479,145
Insurance-health	1,350,816	76,678	22,798	99,476	1,450,292
Insurance-workers comp.	482,893	55,582	5,687	61,269	544,162
Interest	63,154	298,046	-	298,046	361,200
Legal and accounting	526,180	109,537	-	109,537	635,717
Maintenance and repairs	177,499	256,376	-	256,376	433,875
Travel and mileage	557,066	66,620	29,563	96,183	653,249
Office expense	418,880	185,927	160,844	346,771	765,651
Outside/subcontracted services	1,553,299	170,954	-	170,954	1,724,253
Postage	78,529	21,490	1,628	23,118	101,647
Promotion	113,775	19,611	4,100	23,711	137,486
Rent	1,415,559	1,772	-	1,772	1,417,331
Salaries and wages	43,347,189	2,435,863	863,795	3,299,658	46,646,847
School supplies	2,411,025	2,169	42	2,211	2,413,236
Special events	260,272	7,979	6,278	14,257	274,529
Staff development	203,230	30,369	3,420	33,789	237,019
Taxes - payroll	3,775,454	155,468	66,546	222,014	3,997,468
Taxes - property, other	36,621	64,450	-	64,450	101,071
Telecommunications	258,609	81,009	1,688	82,697	341,306
Utilities	79,457	152,839	-	152,839	232,296
	<u>\$ 58,510,639</u>	<u>\$ 6,241,247</u>	<u>\$ 1,351,945</u>	<u>\$ 7,593,192</u>	<u>\$ 66,103,831</u>

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

Think Together

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Out of School Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Subtotal</u>	<u>Total</u>
Advertising	\$ 40,575	\$ 40,484	\$ 44,120	\$ 84,604	\$ 125,179
Bank charges	21,957	55,111	-	55,111	77,068
Computer and software expenses	485,319	186,792	3,963	190,755	676,074
Consulting	114,681	349,462	92,043	441,505	556,186
Copying and printing	387,306	10,273	11,768	22,041	409,347
Depreciation	60,551	419,786	-	419,786	480,337
Insurance-general	886	447,773	-	447,773	448,659
Insurance-health	998,738	63,485	14,991	78,476	1,077,214
Insurance-workers comp.	405,960	-	3,986	3,986	409,946
Interest	21,313	233,047	-	233,047	254,360
Legal and accounting	429,911	76,021	-	76,021	505,932
Maintenance and repairs	131,153	211,087	406	211,493	342,646
Travel and mileage	507,602	90,757	20,835	111,592	619,194
Office expense	283,952	114,200	78,568	192,768	476,720
Outside/subcontracted services	1,272,203	150,725	-	150,725	1,422,928
Postage	70,843	20,926	9,465	30,391	101,234
Promotion	154,806	24,238	3,330	27,568	182,374
Rent	1,002,554	-	-	-	1,002,554
Salaries and wages	34,839,065	2,456,000	524,567	2,980,567	37,819,632
School supplies	1,843,216	1,783	33	1,816	1,845,032
Special events	136,779	31,698	6,125	37,823	174,602
Staff development	113,660	15,382	6,807	22,189	135,849
Taxes - payroll	3,094,613	153,645	39,477	193,122	3,287,735
Taxes - property, other	25,502	63,175	-	63,175	88,677
Telecommunications	184,696	-	1,900	1,900	186,596
Utilities	60,139	158,029	-	158,029	218,168
	<u>\$ 46,687,980</u>	<u>\$ 5,373,879</u>	<u>\$ 862,384</u>	<u>\$ 6,236,263</u>	<u>\$ 52,924,243</u>

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase in net assets	\$ 242,515	\$ 915,468
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	492,807	480,337
Equity interest loss (income) in benefit corporation	101,464	77,029
(Increase) decrease in assets		
Accounts receivables	(1,832,026)	(33,809)
Prepaid expenses	(389,328)	217,862
Due from affiliate	124,538	(107,735)
Deposits and other assets	(90,501)	(4,547)
Increase (decrease) in liabilities		
Accounts payable	693,468	263,668
Accrued payroll and related liabilities	(233)	288,215
Deferred revenue and rental obligations	2,499,893	554,061
Total adjustments	<u>1,600,082</u>	<u>1,735,081</u>
Net cash provided (used) by operating activities	<u>1,842,597</u>	<u>2,650,549</u>
Cash flows from investing activities		
Goodwill	(400,000)	-
Acquisition of property and equipment	<u>(353,346)</u>	<u>(1,332,137)</u>
Net cash provided (used) by investing activities	<u>(753,346)</u>	<u>(1,332,137)</u>
Cash flows from financing activities		
Payments on line of credit	-	(524,571)
Satisfaction of service obligation	(534,312)	(519,098)
Payments on long-term debt	<u>(138,982)</u>	<u>(101,676)</u>
Net cash provided (used) by financing activities	<u>(673,294)</u>	<u>(1,145,345)</u>
Net increase in cash and cash equivalents	415,957	173,067
Cash and cash equivalents at beginning of year	<u>728,026</u>	<u>554,959</u>
Cash and cash equivalents at end of year	<u>\$ 1,143,983</u>	<u>\$ 728,026</u>
Supplemental disclosures:		
Cash paid during the year for interest	<u>\$ 316,977</u>	<u>\$ 204,008</u>
Non-cash investing and financing activities:		
Acquisition of building	<u>\$ -</u>	<u>\$ 1,120,000</u>

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

Think Together

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 direct service programs in the areas of early learning (children 0-5), afterschool (K-12) in under-resourced schools and communities. Think Together, through its affiliate Orenda Education, also provides professional development to school teachers and administrators around a specific data-driven, but people-centric, school improvement model that has produced transformational results. Think Together offers programs in over 400 sites across 47 public school districts and 23 charter management organizations across California. During the fiscal year ended June 30, 2020, 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 afterschool program provided to public school districts. Think Together serves as a sub-contractor to these districts where it delivers the program directly to students and provides the support necessary to deliver this program including staffing, human resources, volunteer recruitment, program design, coaching, program management, financial management and reporting, and program evaluation. Think Together also raises matching funds for these programs through philanthropy. In addition, Think Together serves as the fiscal agent and program provider for Expanded Learning Programs at approximately 50 charter schools mostly in the Los Angeles Metropolitan area. Think Together's early learning programs (including state preschool) are funded through state and county agency grants, also augmented through philanthropy.

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 January 21, 2021, the date which the financial statements were available for issue.

Recent Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities – Revenue Recognition (Subtopic 958-605)*. ASU 2018-08 provides guidance for entities to distinguish revenue sources between contributions and exchange transactions and determining whether a contribution is conditional, including indicators that help an entity assess whether an agreement contains a barrier to entitlement. ASU 2018-08 became effective for fiscal periods beginning after December 15, 2018 and management has elected to adopt ASU 2018-08 as of and for the year ending June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This update was issued to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will be effective for Think Together for its year ending June 30, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. The Organization will be required to adopt ASU 2016-02 effective for the fiscal year ending June 30, 2023. Early adoption is permitted. The Organization is currently evaluating the impact that ASU 2016-02 will have on the Organization's financial statements and related disclosures.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or nonexistence of restrictions on use that are placed by its donors. The two classes of net assets are as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support the Organization's operations. The only limits on the use of these net assets, if any, are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Support that is restricted by a donor is reported as an increase in net assets without donor restrictions if the restriction expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a specified purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature and the Organization must continue to use these resources in accordance with donor's restrictions.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization's unspent contributions are included in this class if the donor has limited their use. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resource for a specified purpose or for a future period. All expenses are reported as decreases in net assets without donor restrictions.

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.

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.

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 promises to give. In accordance with ASC 958-605, contributions are recognized when a donor makes a promise to give to Think Together that is, in substance, unconditional.

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.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The allowance is based on experience, third-party contracts, and other circumstances, which may affect the collectability of the various accounts receivables. The provision for doubtful accounts for the years ended June 30, 2020 and 2019 was \$100,000.

Property and Equipment

Think Together follows the practice of capitalizing all material expenditures for property and equipment, which are carried at cost. 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, 2020.

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.

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 response to the COVID-19 pandemic, the California Department of Education (CDE) issued a six month extension for 21st Century Community Learning Center (21st CCLC) grants for the 2019-2020 grant period. This extension resulted in a deferral of approximately \$2,000,000 in grant funding that will be earned and expended during the fiscal year ending June 30, 2021.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue and Rental Obligations (continued)

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:

	2020		2019	
	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Current Portion</u>	<u>Long Term Portion</u>
Deferred revenue	\$ 3,088,675	\$ -	\$ 682,894	\$ -
Security deposits	-	21,559	-	33,625
Deferred rent	<u>52,079</u>	<u>267,765</u>	<u>4,996</u>	<u>208,670</u>
Total	<u>\$ 3,140,754</u>	<u>\$ 289,324</u>	<u>\$ 687,890</u>	<u>\$ 242,295</u>

Revenue Recognition

The primary source for Think Together's revenue is derived from service contracts with school districts. Income from these school district contracts is recognized ratably over the related contract term. In addition, the Organization receives public support in the form of contributions from individuals, corporations, foundations and government grants. In accordance with ASU 2018-08, Think Together is first required to determine whether a contribution is conditional or unconditional. An unconditional contribution is recognized immediately and classified as either net assets without donor restrictions or net assets with donor restrictions. Conditional promises to give are not recognized until all conditions are substantially met and all barriers to entitlement are overcome, at which point the contribution is recognized as unconditional.

Donated Materials, Facilities and Services

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, 2020 were \$468,947. There were no donated materials during the year ended June 30, 2019 but there were donated meals of \$5,208 in 2019. Contributed facilities are reported as public support income and rental expense based on the estimated usage value of the premises. The organization recognized \$49,106 in contributed facilities during the year ended June 30, 2020 and there were no contributed facilities for the year ended June 30, 2019. 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, 2020 and 2019 were \$338,000 and \$540,000, respectively.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, a substantial number of volunteers have donated 71,188 hours and 98,624 hours of their time to Think Together during the years ended June 30, 2020 and 2019, respectively. The value of this time and related expense has not been included in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing programs and services have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or service are charged directly to that program or service. Oversight costs common to multiple programs have been allocated among various programs benefited using a reasonable allocation method that is consistently applied based on a percentage of contract revenue method.

General and administrative expenses include costs that are not directly identifiable with or relate directly to the oversight of any specific program, but which provide for the overall support and direction of the Organization. Such costs include the finance and administrative functions and all liability insurance costs for the organization.

Fundraising expenses are expensed as incurred and are charged to the respective fundraising cost center. When the Organization incurs shared costs that are both fundraising and general and administrative, the costs are allocated based on the methods described above.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2020 and 2019 was \$119,575 and \$125,179, respectively.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 5,603,245	\$ 5,603,245
Building	1,534,589	1,534,589
Building improvements	2,725,025	2,725,025
Office, furniture and equipment	1,640,139	1,406,698
Leasehold and tenant improvements	493,566	493,566
Construction in progress	<u>132,064</u>	<u>12,159</u>
	12,128,628	11,775,282
Less: accumulated depreciation	<u>(3,018,748)</u>	<u>(2,543,184)</u>
Total property and equipment	<u>\$ 9,109,880</u>	<u>\$ 9,232,098</u>

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 2: PROPERTY AND EQUIPMENT (continued)

On January 31, 2008, Think Together acquired a 4-unit apartment building for \$872,000 in the Shalimar neighborhood of Costa Mesa, CA, to allow for program expansion of their two community based program and to secure the long-term future of the programs. Subsequently, on February 22, 2019, Think Together purchased a second building in the same Shalimar neighborhood for \$1,404,010 to support existing programs. Refer to Note 6 for the financing arrangements for the two Shalimar buildings.

NOTE 3: OTHER ASSETS

Other assets consist of the following:

	<u>2020</u>	<u>2019</u>
Deposits	\$ 173,276	\$ 87,222
Deferred lease commissions	12,582	25,378
Goodwill	750,000	350,000
Investment in benefit corporation	<u>457,543</u>	<u>559,007</u>
Total	<u>\$1,393,401</u>	<u>\$1,021,607</u>

Effective October 25, 2019, in connection with the acquisition of certain assigned net assets and related business activity of an unrelated nonprofit organization, Think Together assumed 21st Century Community Learning Center (21st CCLC) grants from the California Department of Education (CDE) totaling approximately \$9,500,000 annually. The prorated amount of these grants was approximately \$7,100,000 for the year ended June 30, 2020. The costs and expenses in excess of the net assets acquired in the amount of \$400,000 in connection with this acquisition are recorded as goodwill in the accompanying financial statements.

Goodwill is assessed for impairment to determine if a charge against goodwill is required. The assessment compares the fair value of the net assets acquired with the carrying value including goodwill. A charge against goodwill only occurs when the fair value of the acquired net asset is below the carrying value. There was no impairment assessed for the years ending June 30, 2020 or 2019.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 4: 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, 2020, school district contracts comprised 95% 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, 67% of its operating revenue (71% of total school district contract revenue) relates to CDE Proposition 49 grant funding; and 18% of its total operating revenue (19% 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, 2020 and 2019, school district contract revenue for Think Together was comprised of the following sources of State and Federal grant funding:

	<u>2020</u>	<u>2019</u>
California Department of Education (CDE) –Proposition 49 After School Education and Safety Act (ASES)	\$ 44,001,500	\$ 37,676,641
U.S. Department of Education - 21 st Century Community Learning Centers (21 st CCLC) (administered by the CDE)	11,146,669	3,867,539
Other Local School District Discretionary Funding Sources (LCFF)	<u>6,644,996</u>	<u>7,537,500</u>
Total	<u>\$ 61,793,165</u>	<u>\$ 49,081,680</u>

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 5: LIQUIDITY AND AVAILABILITY

Financial assets without donor or other restrictions limiting their use within one year of June 30, 2020, which are available for general expenditures are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,143,983
Accounts receivable	4,794,986
Due from affiliate	<u>988,418</u>
Total financial assets	<u>6,927,387</u>
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted net assets	<u>(272,571)</u>
Amount available for general expenditures within one year	<u><u>\$ 6,654,816</u></u>

Based on the table above, the Organization has \$6,654,816 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The account receivables are subject to implied time restrictions but are expected to be collected within one year. As disclosed in Note 6, the Organization has a line of credit available in the amount of \$9,500,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 6: LINE OF CREDIT

Think Together has a line of credit with Comerica Bank that provides for borrowings ranging from \$9,500,000 to \$15,000,000, depending on the time of year the borrowings are required to fund operations. 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. In October 2019, Think Together renewed its line of credit with Comerica Bank, extending the term to December 1, 2021. Think Together expects to renew the existing line of credit with Comerica Bank at the 2021 expiration date.

Under the terms of the line of credit agreement, Think Together is required to meet and maintain certain financial covenants. As of the date of this report and for the fiscal years ended June 30, 2020 and 2019, Think Together was in compliance with these covenants or had obtained a waiver for non-compliance.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 6: LINE OF CREDIT (continued)

Interest on this line of credit is payable monthly at the bank's prime rate plus 0.75%. The line of credit has no outstanding balance as of June 30, 2020 and 2019.

NOTE 7: 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 as mentioned in Note 6. This loan is subordinate to Comerica Bank's line of credit.

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 with an interest rate of 2.17% per annum. In November 2015, St. Joseph Health System agreed to extend the loan for an additional 60 months with a maturity date of November 30, 2020. In November 2020, the loan was extended once again for an additional 60 months with a new maturity date of November 30, 2025.

The interest rate was adjusted to 2% per annum with monthly installments of principal and interest of \$10,000 with a final balloon payment due on the maturity date. The outstanding loan balance as of June 30, 2020 and 2019 was \$1,276,574 and \$1,365,886, respectively. On June 4, 2018, St. Joseph Health System assigned and transferred the loan and all of 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 2 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 2.37% at June 30, 2020. The outstanding balance of this note was \$326,060 and \$340,340 at June 30, 2020 and 2019, respectively.

The purchase of the second Shalimar building, also referred to in Note 2, was financed on May 7, 2019 under the terms of a \$1,120,000 ten year note and deed of trust payable, secured by the property. The note is payable in monthly installments of principal and interest beginning June 1, 2019 with the final payment due on May 7, 2029. Monthly interest on the note is calculated using a monthly LIBOR-based rate which was 2.17% as of June 30, 2020. The outstanding balance as of June 30, 2020 and 2019 was \$1,084,610 and \$1,120,000, respectively.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 7: LONG-TERM DEBT (continued)

Maturities of long-term debt are as follows:

<u>Year ended June 30,</u>	
2021	\$ 145,558
2022	150,233
2023	153,970
2024	157,824
2025	161,811
Thereafter	<u>1,917,848</u>
Total	<u>\$ 2,687,244</u>

NOTE 8: 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, CA 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 \$1,116,065 at June 30, 2020 and \$1,650,377 at June 30, 2019.

NOTE 9: LITIGATION

The Organization is involved in litigation in the normal course of its operations which management believes are adequately covered by insurance or accruals.

NOTE 10: 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 April 2030.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 10: OBLIGATIONS UNDER OPERATING LEASES (continued)

Minimum lease obligations for these facilities are as follows:

<u>Year ended June 30,</u>	<u>Base Rent</u>
2021	\$ 1,296,457
2022	1,241,905
2023	1,092,635
2024	926,137
2025	637,957
Thereafter	<u>2,251,405</u>
Total	<u>\$ 7,446,496</u>

Rent expense was \$1,417,331 and \$1,002,554 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11: 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 Orenda Education (formerly Principal's Exchange), a California benefit corporation. The initial investment constituted approximately 17% of the outstanding voting stock of Orenda Education and, accordingly, was accounted for under the cost method of accounting.

In March of 2016, Think Together acquired an additional 35,000 shares of Orenda Education 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 elected early adoption of FASB ASU No. 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323)* and therefore retroactive adjustment for the investment was 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 a loss of \$101,464 for the year ended June 30, 2020 and a loss of \$77,029 for the year ended June 30, 2019, from its proportionate share of Orenda Education's net income.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 11: INVESTMENT IN BENEFIT CORPORATION (continued)

Think Together's investment in Orenda Education 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 financial position. The investment value was \$457,543 and \$559,007 as of June 30, 2020 and 2019, respectively.

Summary results of operations and financial position of Orenda Education were as follows:

Condensed income statement information for the year ended June 30,	<u>2020</u>	<u>2019</u>
Total revenues	\$ 6,086,210	\$ 4,346,170
Net comprehensive (loss)	(247,473)	(187,875)
 Condensed balance sheet information at June 30,	 <u>2020</u>	 <u>2019</u>
Current assets	\$ 2,070,213	\$ 1,286,067
Property and equipment	47,634	-
Intangible assets	1,495,600	1,495,600
Total assets	<u>\$ 3,613,447</u>	<u>\$ 2,781,667</u>
 Current liabilities	 \$ 1,213,226	 \$ 1,220,358
Deferred revenue	358,813	-
Pension benefit obligation	1,800,415	1,072,843
Equity	240,993	488,466
Total liabilities and equity	<u>\$ 3,613,447</u>	<u>\$ 2,781,667</u>

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 consist of the following and were restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Think Together Scholarship Fund	\$ 272,571	\$ 275,969
	<u>\$ 272,571</u>	<u>\$ 275,969</u>

NOTE 13: RELATED PARTY TRANSACTIONS

Beginning September 2016, Think Together and Orenda Education (formerly Principal's Exchange) entered into an agreement in which Orenda Education provides supplemental services to a school district with whom Think Together has an existing service contract. During the year ended June 30, 2020, Think Together received \$418,100 in connection with the supplemental services and subsequently remitted the payments to Orenda Education. During the year ended June 30, 2019, Think Together received \$437,600 in connection with the supplemental services and subsequently remitted the payments to Orenda Education. Program expenses in the amount of \$302,024 and \$294,206, related to the supplemental services provided by Orenda Education, was paid by Think Together and were included in the due from affiliate balance as of June 30, 2020 and 2019, respectively. Think Together also recognized revenues of \$58,296 and \$71,697, for the years ended June 30, 2020 and 2019, respectively, in connection to a shared contract with Orenda Education. In addition, during the years ended June 30, 2020 and 2019, Think Together forwarded \$708,000 and \$292,000, respectively, to Orenda Education as a contribution agency transaction.

For the years ended June 30, 2020 and 2019, Think Together provided administrative, business development, and executive administrative services to Orenda Education in the amounts of \$260,000 and \$385,000, respectively, which are included in other income in the accompanying statement of activities. Additionally, during August 2018, Think Together began to sub-lease a portion of an office lease to Orenda Education for a monthly rent of \$3,500. Total rents received from Orenda Education for the sub-lease as of June 30, 2020 and 2019 was \$42,000 and \$38,500, respectively.

During the 2020 and 2019 fiscal years, Think Together continued to extended a revolving line of credit to Orenda Education to finance its outstanding administrative and other costs and expenses. The outstanding balances owed by Orenda Education to Think Together at June 30, 2020 and 2019 of \$988,418 and \$1,112,956, respectively, are included on the statement of financial position as due from affiliate.

Think Together

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE 13: RELATED PARTY TRANSACTIONS (continued)

Beginning July 2017, Think Together began to accrue monthly interest at 5.50% per annum on the net outstanding receivable balance from Orenda Education. Subsequently, the monthly interest was increased to 6.75% for the year ended June 30, 2019 and thereafter. As of June 30, 2020, the interest rate was reduced to 4% per annum. Total accrued interest as of June 30, 2020 and 2019 was \$70,127 and \$70,312, respectively. 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.

In other ongoing related party arrangements, during 2020 and 2019, 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, the law firm employing one of Think Together's board members has been engaged to provide legal services, and a software company owned by one of Think Together's board members has been contracted to provide on-line parent outreach services. 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.

NOTE 14: RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and worldwide. The coronavirus outbreak resulted in federal, state and local governments and private entities mandating various restrictions, including travel, in public gatherings, stay at home orders and quarantining of people who may have been exposed to the virus. In response to the pandemic and the various restrictions, Think Together has made changes to its operations to protect its employees and program participants from the virus, while effectively providing services via virtual platforms. In addition, the Organization has received support from various funders to assist with COVID-19 relief efforts and assistance for program participants. As management continues to evaluate the impact that this global pandemic will have on future operations, management believes that the Organization can continue its operations as the funding from federal and state programs has not been affected by the virus.

Think Together
Single Audit Report on Federal Awards
Year Ended June 30, 2020

**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, 2020 and 2019, 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 January 21, 2021.

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.

Stephen, Reidinger + Beller LLP

Newport Beach, California
January 21, 2021

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, 2020 and 2019. 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, 2020 and 2019.

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
January 21, 2021

Think Together

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Fiscal Year Ended June 30, 2020

<u>Name of Agency or Department</u>	<u>Name of Program</u>	<u>CFDA No.</u>	<u>Name of Pass-through Entity</u>	<u>Identifying Number</u>	<u>Awards Expended</u>
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
				19-14349-6427-2A	202,002
				19-14535-6427-2A	475,000
				19-14535-6429-9A	225,000
				19-14535-7343-2A	950,000
				19-14765-6427-7A	23,750
				33-14349-6709-0A	124,043
				19-14349-6477-1A	1,107,072
				33-14349-2186-0A	19,238
				19-14349-6503-2A	49
				19-14349-6481-2A	824,159
				33-14535-6708-9A	475,000
				33-14603-6708-9A	23,750
				33-14535-6720-2A	400,000
				33-14603-6720-2A	20,000
				36-14349-6768-2A	569,620
				36-14535-6785-2A	237,500
				19-14349-Z4150-0Y	334,586
				19-14535-Z4150-1Y	941,165
				19-14535-Z4150-0Y	429,162
				19-14535-Z4150-2Y	680,458
				19-14349-Z4150-1Y	1,353,145
				19-14765-Z4150-1Y	33,160
				19-14349-Z4150-2Y	556,602
				19-14765-Z4150-2Y	13,857
				19-14603-Z4150-2Y	8,978
				19-14603-Z4150-1Y	24,807
				19-14603-Z4150-0Y	6,874
				19-14349-C0016-1Y	250,385
19-14535-C0016-1Y	128,064				
19-14603-C0016-1Y	5,815				
19-14349-Z0280-2Y	225,562				
	<u>11,058,148</u>				
	GEAR UP	84.334A	YPI Charter Schools	P334A140148	<u>477,193</u>
Total U.S. Department of Education					<u>11,535,341</u>
				Total Expenditures of Federal Awards	<u>\$ 11,535,341</u>

Think Together

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

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, 2020. 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, 2020.

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, 2020

PRIOR PERIOD AUDIT REPORT

There were no audit findings in the previous year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Think Together were prepared in accordance with GAAP.
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. No instances of noncompliance material to the financial statements of Think Together, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. There were no material weaknesses nor were there any significant deficiencies in internal control over major programs of the auditee.
5. The auditor's report on compliance for the major federal award programs of Think Together expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were the 21st Century Community Learning Centers Program and GEAR UP Program, which are both pass-through assistance from the U.S. Department of Education, CFDA #'s 84.287 and 84.334A, respectively.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Think Together was determined to be a low risk auditee.

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).