

MINNESOTA COMPUTERS FOR SCHOOLS
***(A MINNESOTA NOT-FOR-
PROFIT ORGANIZATION)***

FINANCIAL STATEMENTS

DECEMBER 31, 2012

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	5
Statements of cash flows	7
Notes to financial statements	8

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Minnesota Computers for Schools
Bayport, Minnesota

We have audited the accompanying financial statements of Minnesota Computers for Schools (a nonprofit Organization), which comprise the statements of financial position as of December 31, 2012 and 2011 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Computers for Schools as of December 31, 2012 and 2011, 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.

Boyum & Barenscheer, PLLP

Minneapolis, Minnesota
June 18, 2013

MINNESOTA COMPUTERS FOR SCHOOLS
(A MINNESOTA NOT-FOR-PROFIT ORGANIZATION)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 590,505	\$ 487,186
Grants and accounts receivable	73,914	36,053
Inventory - materials	10,969	8,976
Prepaid expenses	21,690	14,932
<i>Total current assets</i>	697,078	547,147
PROPERTY AND EQUIPMENT, at cost		
Software	27,610	27,610
Furniture and equipment	42,377	26,182
	69,987	53,792
Less accumulated depreciation	51,408	47,833
<i>Net property and equipment</i>	18,579	5,959
<i>Total assets</i>	\$ 715,657	\$ 553,106
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,526	\$ 15,040
Accrued payroll and payroll taxes	46,857	55,587
Accrued vacation pay	7,857	8,474
Warranty liability	10,000	10,000
<i>Total current liabilities</i>	74,240	89,101
NET ASSETS		
Unrestricted net assets	519,140	352,906
Temporarily restricted net assets	122,277	111,099
<i>Total net assets</i>	641,417	464,005
<i>Total liabilities and net assets</i>	\$ 715,657	\$ 553,106

The Notes to Financial Statements are an integral part of these statements.

MINNESOTA COMPUTERS FOR SCHOOLS
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STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31,	2012		
	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND OTHER INCOME			
Contributions and grants	\$ 103,944	\$ 100,529	\$ 204,473
Contributed services and use of facilities	451,636	-	451,636
Computer sales	888,772	-	888,772
Interest income	967	-	967
Class action lawsuit income	127,129	-	127,129
Net assets released from restriction	89,351	(89,351)	-
<i>Total revenues, support and other income</i>	1,661,799	11,178	1,672,977
EXPENSES			
Program services	1,209,693	-	1,209,693
Supporting activities			
General and administrative	210,865	-	210,865
Fundraising and grant solicitation	75,007	-	75,007
<i>Total expenses</i>	1,495,565	-	1,495,565
<i>Increase in net assets</i>	166,234	11,178	177,412
Net assets, beginning of year	352,906	111,099	464,005
<i>Net assets, end of year</i>	\$ 519,140	\$ 122,277	\$ 641,417

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2011		
Unrestricted	Temporarily Restricted	Total
\$ 142,726	\$ 109,884	\$ 252,610
416,193	-	416,193
796,711	-	796,711
1,228	-	1,228
-	-	-
28,925	(28,925)	-
1,385,783	80,959	1,466,742
1,043,154	-	1,043,154
178,356	-	178,356
65,488	-	65,488
1,286,998	-	1,286,998
98,785	80,959	179,744
254,121	30,140	284,261
\$ 352,906	\$ 111,099	\$ 464,005

MINNESOTA COMPUTERS FOR SCHOOLS
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STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31,

2012

	Program	General and Administrative	Fundraising and Grant Solicitation	Total
Salaries, payroll taxes and benefits	\$ 709,355	\$ 129,769	\$ 14,830	\$ 853,954
Computer components and equipment	203,858	-	-	203,858
Rent, utilities and security	124,370	12,678	-	137,048
Insurance	832	3,328	-	4,160
Board of directors	554	2,215	-	2,769
Marketing-general	21,903	6,257	3,129	31,289
Marketing-annual event	20,204	-	20,204	40,408
Marketing-grant writing	-	-	36,455	36,455
Office supplies	248	993	-	1,241
Printing and reproduction	24	74	389	487
Postage	205	820	-	1,025
Professional fees / contract services	80,951	41,191	-	122,142
Repairs and maintenance	469	-	-	469
Transportation	21,448	-	-	21,448
Travel, meals and entertainment	2,813	11,259	-	14,072
Salvage disposal	8,340	-	-	8,340
Depreciation	3,575	-	-	3,575
Warranty expense	9,975	-	-	9,975
Miscellaneous	569	2,281	-	2,850
<i>Total expenses</i>	\$ 1,209,693	\$ 210,865	\$ 75,007	\$ 1,495,565

The Notes to Financial Statements are an integral part of these statements.

2011

Program	General and Administrative	Fundraising and Grant Solicitation	Total
\$ 678,703	\$ 133,230	\$ 13,863	\$ 825,796
155,388	-	-	155,388
124,270	12,678	-	136,948
588	2,350	-	2,938
376	1,504	-	1,880
20,084	5,739	2,869	28,692
-	-	9,603	9,603
-	-	39,153	39,153
176	705	-	881
-	-	-	-
181	724	-	905
19,629	9,760	-	29,389
527	-	-	527
22,022	-	-	22,022
2,371	9,487	-	11,858
9,700	-	-	9,700
1,369	-	-	1,369
7,226	-	-	7,226
544	2,179	-	2,723
\$ 1,043,154	\$ 178,356	\$ 65,488	\$ 1,286,998

MINNESOTA COMPUTERS FOR SCHOOLS
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STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 177,412	\$ 179,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,575	1,369
Changes in assets and liabilities:		
Grants and accounts receivable	(37,861)	7,336
Inventory	(1,993)	(4,619)
Prepaid expenses	(6,758)	(1,195)
Accounts payable	(5,514)	10,687
Warranty liability	-	-
Accrued expenses and other liabilities	(9,347)	6,117
	<hr/>	<hr/>
<i>Net cash provided by operating activities</i>	119,514	199,439
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(16,195)	-
	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	(16,195)	-
	<hr/>	<hr/>
<i>Increase in cash and cash equivalents</i>	103,319	199,439
Cash and cash equivalents, beginning of year	487,186	287,747
	<hr/>	<hr/>
<i>Cash and cash equivalents, end of year</i>	\$ 590,505	\$ 487,186

The Notes to Financial Statements are an integral part of these statements.

MINNESOTA COMPUTERS FOR SCHOOLS
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NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Minnesota Computers for Schools (the Organization) is a not-for-profit organization with a mission to provide technology access for lifelong learning. The program involves inmates of a local prison refurbishing computers that are donated by local corporations and government agencies. These computers are then sold at discounted prices or gifted to schools, teachers, not-for-profit organizations and disadvantaged youth throughout Minnesota. The Organization recently started a pilot computer refurbishment training program, which brings technology access and job skills to disadvantaged youth at Guadalupe Alternation Programs (GAP School) in St. Paul, Minnesota, and Washington Tech Magnet School in St. Paul, Minnesota. The program teaches students basic computer skills and computer recycling and refurbishing skills.

The majority of the computers are donated by corporations and government agencies in the Minnesota Twin Cities area. During 2012 and 2011, one government agency donated approximately 31% and 41% of the computers, respectively. Contributions and grants to the Organization come primarily from foundations in the Minnesota Twin Cities area.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *FASB ASC 958*. Under *FASB ASC 958, Financial Statements of Not-for-Profit Organizations*, Minnesota Computers for Schools is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor restrictions. As of December 31, 2012 and 2011, there were no permanently restricted net assets.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains its accounts in two financial institutions. At various times during the year, the balance at one bank may have exceeded federally insured deposit limits.

Receivables:

Grants and accounts receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projection of trends. At December 31, 2012 and 2011, no allowance for bad debt was considered necessary. It is the Organization's policy to charge off uncollectible receivables when management determines that a receivable will not be collected.

Promises to give:

Contributions are recognized when the donor makes a promise to give to the Organization 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 a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There were \$51,110 and \$20,910 promises to give outstanding as of December 31, 2012 and 2011, respectively. All promises to give outstanding as of December 31, 2012 and 2011 are due within one year.

Property, equipment and depreciation methods:

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment purchases are recorded at acquisition cost. Improvements and betterments exceeding \$1,000 are capitalized, while repairs and maintenance expenditures are expensed in the Statement of Activities.

Depreciation is computed using the straight-line method over the estimated useful lives as follows: furniture and equipment over 5-10 years, computer equipment and software over 3 years.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Inventory:

Inventory consists of donated computer equipment that has been refurbished and purchased computer components. Inventory is valued at the lower of cost or market, with the cost determined on the specific identification method. Un-refurbished computers, work in process, and scrap, have insignificant value and, therefore, have not been recorded in the financial statements. Inventory also consists of materials which are recorded at cost. There was no completed refurbished computer equipment on hand as of December 31, 2012 and 2011. Shipping and handling costs are expensed as incurred.

Warranty arrangements:

The Organization's products generally carry explicit warranties that extend from one to three years, based on terms that are generally accepted in the marketplace. Selected components included in the Organization's end products (such as LCD's and other components) may include manufacturers' warranties. These manufacturers' warranties are generally passed on to the end customer of the Organization's products and the Organization would deal directly with the component manufacturer.

The amount of warranty liability accrued reflects management's best estimate of the cost of honoring the organization's obligations under the warranty plans. The cost of fulfilling the Organization's warranty obligations has principally involved replacement parts and labor. The Organization's estimates are based on staff labor attributed to time spent on repair and/or replacement of product.

Sales:

Sales of refurbished computers are recorded when shipped.

Non-cash donations of facilities, merchandise and services:

Non-cash donations of facilities, merchandise and services are recorded as contributions at their estimated fair market value at the date of donation.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received.

In addition, individuals volunteer their time, performing a variety of tasks that assist the Organization with its program, administration, grant solicitation and fundraising. This volunteer time does not meet the above definition of donated services that need to be recorded. The Organization does not keep track of the hours donated.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Functional allocation of expenses:

The costs of providing the Organization's program and supporting activities have been presented on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income taxes:

Minnesota Computers for Schools is exempt from federal and Minnesota taxation pursuant to the provisions of Section 501(c) (3) of the Internal Revenue Code and Section 290.05 of the Minnesota Statutes and is only subject to federal and state income taxes on net unrelated business income. Since the Organization had no unrelated business taxable income in 2012 and 2011, the accompanying financial statements do not include any provision for federal or state income taxes.

The Organization's filings with the Internal Revenue Service are subject to audit. The information returns for the past three and one-half years are open to examination. Management has evaluated its tax positions and has concluded that they do not result in anything that would require either recording or disclosure in the financial statements based on the criteria set forth in ASC 740.

NOTE 2. NON-CASH CONTRIBUTIONS

Included in the Statements of Activities are non-cash contributions as follows:

YEARS ENDED DECEMBER 31,	2012	2011
Rent, utilities and security - Dept. of Corrections	\$ 126,963	\$ 126,948
Salaries, payroll taxes, and benefits of inmates - Dept. of Corrections	298,634	264,974
Transportation - Dept. of Corrections	7,800	7,200
Salesforce license donation	15,000	15,000
Event in kind donated items - various donors	3,239	-
Miscellaneous	-	2,071
<i>Total</i>	\$ 451,636	\$ 416,193

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NOTES TO FINANCIAL STATEMENTS

NOTE 3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

DECEMBER 31,	2012	2011
3M Foundation for St. Paul and East Metro schools	\$ -	\$ 10,000
Bigelow Foundation for computer refurbishment training program	8,343	25,000
Elmer L & Eleanor Andersen for technology training at GAP School	-	1,000
Medtronic Foundation for <i>STEM</i> and <i>Special Kids</i>	5,020	20,000
Minnesota High Tech Association for Adopt a School Stem Grant	-	900
Otto Bremer Foundation for technology training at GAP School	-	13,503
Qwest Foundation for technology placements	-	315
St. Paul Foundation for computer refurbishment training program	8,385	24,968
Warren Foundation for <i>Special Kids</i>	-	413
Wells Fargo Foundation for technology training at GAP School	-	15,000
Mardag Foundation for GAP School	6,594	-
Donaldson Foundation for GAP School	15,000	-
Best Buy Childrens Foundation for workforce development	1,825	-
Bigelow Foundation for workforce development	20,000	-
St Paul Foundation for workforce development	20,000	-
Pentair Foundation for STEM	5,000	-
Elmer L & Eleanor Andersen for workforce development	1,000	-
Minnesota Pollution Control Agency	25,000	-
General operating support, for subsequent periods	6,110	-
<i>Total</i>	\$ 122,277	\$ 111,099

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NOTES TO FINANCIAL STATEMENTS

NOTE 4. LEASE COMMITMENT

The Organization had an operating lease for production and warehouse space which expired on November 30, 2012. On January 13, 2012, an extended five year lease was signed by the Organization. The new lease commenced on December 1, 2012 and continues through November 30, 2017. The future minimum lease payments under this lease are as follows:

YEARS ENDING DECEMBER 31,

2013	\$	11,017
2014		11,017
2015		11,017
2016		11,017
2017		10,099
<i>Total minimum lease payments</i>		\$ 54,167

Rental expense for this lease amounted to \$10,085 and \$10,000 for the years ended December 31, 2012 and 2011, respectively.

NOTE 5. GRANT CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although that is a possibility, management deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grant.

NOTE 6. INCOME FROM CLASS ACTION SETTLEMENT

The Organization was a party to a class action lawsuit that was settled in 2012. The Organization received \$127,129.

NOTE 7. SALARY REDUCTION RETIREMENT PLAN

Minnesota Computers for Schools has a Salary Reduction Retirement Plan that is qualified under Section 403(b)(7) of the Internal Revenue Code. All employees of the Organization are eligible to participate in the plan. There are not any employer contributions to the plan.

NOTE 8. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 18, 2013, the date which the financial statements were available to be issued.