



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

***FINANCIAL STATEMENTS***

***DECEMBER 31, 2018 AND 2017***

## **C O N T E N T S**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Minnesota Computers for Schools (a not-for-profit organization), which comprise the statements of financial position as of December 31, 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. 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, 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.

## Effect of Adopting New Accounting Standard

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented, when required. Our opinion is not modified with respect to this matter.

*Boyum + Barescheer PLLP*

Boyum & Barescheer PLLP  
Minneapolis, Minnesota  
July 23, 2019

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF FINANCIAL POSITION**

<b>DECEMBER 31,</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 28,840	\$ 118,063
Accounts receivable	76,950	87,487
Grants receivable	379,852	281,291
Inventory - materials	1,758	3,218
Prepaid expenses	22,308	7,894
Security deposit	17,173	-
Property and equipment, net	92,059	22,622
<b><i>Total assets</i></b>	<b>\$ 618,940</b>	<b>\$ 520,575</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 51,290	\$ 25,148
Accrued payroll and payroll taxes	18,218	10,968
Accrued vacation pay	43,116	28,031
Deferred income (see Note 1)	325,503	241,961
Warranty liability	6,400	10,690
Rent liability	22,188	-
Note payable	-	37,873
Lease to own liability	5,781	-
<b><i>Total liabilities</i></b>	<b>472,496</b>	<b>354,671</b>
<b>NET ASSETS</b>		
Without donor restrictions	94,387	114,093
With donor restrictions	52,057	51,811
<b><i>Total net assets</i></b>	<b>146,444</b>	<b>165,904</b>
<b><i>Total liabilities and net assets</i></b>	<b>\$ 618,940</b>	<b>\$ 520,575</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, SUPPORT AND OTHER INCOME</b>			
Contributions and grants	\$ 371,938	\$ 52,057	\$ 423,995
Contributed services and use of facilities	378,584	-	378,584
Computer sales	737,460	-	737,460
Program service fees	317,172	-	317,172
Interest income	88	-	88
Event revenues, net of costs that directly benefited donors of \$1,836	18,586	-	18,586
Net assets released from restriction	51,811	(51,811)	-
<b><i>Total revenues, support and other income</i></b>	<b>1,875,639</b>	<b>246</b>	<b>1,875,885</b>
<b>EXPENSES</b>			
Program services	1,586,226	-	1,586,226
General and administrative	127,569	-	127,569
Fundraising and grant solicitation	176,683	-	176,683
<b><i>Total expenses</i></b>	<b>1,890,478</b>	<b>-</b>	<b>1,890,478</b>
<b>OTHER INCOME (EXPENSE)</b>			
Loss on disposal	(4,867)	-	(4,867)
<b><i>Total other income (expense)</i></b>	<b>(4,867)</b>	<b>-</b>	<b>(4,867)</b>
<b><i>Decrease in net assets</i></b>	<b>(19,706)</b>	<b>246</b>	<b>(19,460)</b>
<b>Net assets, beginning of year</b>	<b>114,093</b>	<b>51,811</b>	<b>165,904</b>
<b><i>Net assets, end of year</i></b>	<b>\$ 94,387</b>	<b>\$ 52,057</b>	<b>\$ 146,444</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2017**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, SUPPORT AND OTHER INCOME</b>			
Contributions and grants	\$ 146,645	\$ 51,269	\$ 197,914
Contributed services and use of facilities	509,132	-	509,132
Computer sales	866,746	-	866,746
Program service fees	213,383	-	213,383
Interest income	127	-	127
Event revenues, net of costs that directly benefited donors of \$12,698	24,796	-	24,796
Net assets released from restriction	130,475	(130,475)	-
<b><i>Total revenues, support and other income</i></b>	<b>1,891,304</b>	<b>(79,206)</b>	<b>1,812,098</b>
<b>EXPENSES</b>			
Program services	1,660,510	-	1,660,510
General and administrative	123,601	-	123,601
Fundraising and grant solicitation	178,708	-	178,708
<b><i>Total expenses</i></b>	<b>1,962,819</b>	<b>-</b>	<b>1,962,819</b>
<b>OTHER INCOME (EXPENSE)</b>			
Loss on disposal	(13,334)	-	(13,334)
<b><i>Total other income (expense)</i></b>	<b>(13,334)</b>	<b>-</b>	<b>(13,334)</b>
<b><i>Decrease in net assets</i></b>	<b>(84,849)</b>	<b>(79,206)</b>	<b>(164,055)</b>
<b>Net assets, beginning of year</b>	<b>198,942</b>	<b>131,017</b>	<b>329,959</b>
<b><i>Net assets, end of year</i></b>	<b>\$ 114,093</b>	<b>\$ 51,811</b>	<b>\$ 165,904</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2018**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
Salaries, payroll taxes and benefits	\$ 968,494	\$ 86,070	\$ 57,008	\$ 1,111,572
Computer components and equipment	170,366	316	6,661	177,343
Rent, utilities and security	199,719	6,288	6,046	212,053
Insurance	7,426	1,114	-	8,540
Board of director expense	-	732	-	732
Marketing - general	3,962	-	6,044	10,006
Marketing - annual event	822	-	823	1,645
Marketing - grant writing	-	-	84,802	84,802
Office supplies	7,612	3,201	78	10,891
Printing and reproduction	902	24	46	972
Postage	62	292	-	354
Professional fees / contract services	160,555	13,950	6,597	181,102
Repairs and maintenance	1,793	604	-	2,397
Transportation	29,730	-	-	29,730
Travel, meals and entertainment	7,274	7,919	2,171	17,364
Small tools, equipment and supplies	925	1,731	4,671	7,327
Salvage disposal	118	-	-	118
Depreciation	14,803	-	-	14,803
Warranty expense	2,044	-	-	2,044
Cost of direct benefit to donors	-	-	1,836	1,836
Miscellaneous	9,619	5,328	1,736	16,683
<b>Total expenses</b>	<b>1,586,226</b>	<b>127,569</b>	<b>178,519</b>	<b>1,892,314</b>
Less expenses included with revenue, support and other income				
Cost of direct benefit to donors	-	-	(1,836)	(1,836)
<b>Total functional expenses</b>	<b>\$ 1,586,226</b>	<b>\$ 127,569</b>	<b>\$ 176,683</b>	<b>\$ 1,890,478</b>

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



**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2017**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
Salaries, payroll taxes and benefits	\$ 969,964	\$ 80,447	\$ 56,579	\$ 1,106,990
Computer components and equipment	238,788	1,341	6,460	246,589
Rent, utilities and security	158,914	5,659	5,628	170,201
Insurance	7,224	1,114	-	8,338
Board of director expense	-	292	-	292
Marketing - general	4,353	193	4,393	8,939
Marketing - annual event	5,828	-	5,827	11,655
Marketing - grant writing	-	-	76,841	76,841
Office supplies	4,504	1,150	72	5,726
Printing and reproduction	304	291	145	740
Postage	57	324	53	434
Professional fees / contract services	184,066	16,839	21,490	222,395
Repairs and maintenance	974	-	-	974
Transportation	31,840	-	-	31,840
Travel, meals and entertainment	15,829	10,252	275	26,356
Small tool & equipment expense	8,278	1,112	70	9,460
Salvage disposal	315	-	-	315
Depreciation	10,668	-	-	10,668
Warranty expense	12,380	-	-	12,380
Cost of direct benefit to donors	-	-	12,698	12,698
Miscellaneous	6,224	4,587	875	11,686
<b>Total expenses</b>	<b>1,660,510</b>	<b>123,601</b>	<b>191,406</b>	<b>1,975,517</b>
Less expenses included with revenue, support and other income				
Cost of direct benefit to donors	-	-	(12,698)	(12,698)
<b>Total functional expenses</b>	<b>\$ 1,660,510</b>	<b>\$ 123,601</b>	<b>\$ 178,708</b>	<b>\$ 1,962,819</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF CASH FLOWS**

<b>YEARS ENDED DECEMBER 31,</b>	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (19,460)	\$ (164,055)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,803	10,668
Loss on disposal	4,867	13,334
Donated fixed assets	(24,000)	-
Changes in assets and liabilities:		
Grants and accounts receivable	(88,024)	(137,487)
Inventory - materials	1,460	(1,551)
Prepaid expenses	(14,414)	15,972
Security deposit	(17,173)	-
Accounts payable	26,142	3,994
Accrued payroll and taxes	7,250	(758)
Accrued vacation pay	15,085	9,582
Deferred income	83,542	58,261
Warranty liability	(4,290)	1,690
Rent liability	22,188	-
	<b>7,976</b>	<b>(190,350)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(59,326)	(6,937)
	<b>(59,326)</b>	<b>(6,937)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	50,000
Payments on notes payable	(37,873)	(12,127)
	<b>(37,873)</b>	<b>37,873</b>
	<b>(89,223)</b>	<b>(159,414)</b>
Cash and cash equivalents, beginning of year	118,063	277,477
	<b>\$ 28,840</b>	<b>\$ 118,063</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 1,031	\$ 596

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

# **MINNESOTA COMPUTERS FOR SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Organization:***

Minnesota Computers for Schools (the Organization) is a not-for-profit organization with a mission to work collaboratively with schools and educationally focused community organizations to provide technology solutions and skills training to individuals in need. The program involved offenders of a local prison refurbishing computers that are donated by local corporations and government agencies. In July 2018 a prison officer was killed at MCF-Stillwater. His death led to the permanent shutdown of workforce training programs at the prison. With little warning, the organization was forced to relocate. In December 2018, the Organization relocated to Minneapolis. A new workforce is being generated by CoreIT student graduates applying for paid Internships. Technicians learn the computer refurbishing process gaining valuable hands-on skills..

These computers are then sold at discounted prices or gifted to schools, teachers, not-for-profit organizations and disadvantaged youth throughout Minnesota. The Organization continues to expand its Workforce Development Program, which brings technology access and job skills training to disadvantaged youth and young adults at Programs (Humboldt School) in St. Paul, Neighborhood House in West St. Paul, Minneapolis Urban League in Minneapolis, and in the Fall of 2019 the addition of classes at the Organization's new facility. 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 2018, there were no concentrations in donations. During 2017, one government agency donated approximately 52% of the computers. 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor restrictions. As of December 31, 2018 and 2017, net assets with donor restrictions were \$52,057 and \$51,811, respectively.

#### ***Recently Issued Accounting Pronouncements:***

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for companies to use in accounting for revenue from contracts with customers. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

# MINNESOTA COMPUTERS FOR SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. (CONTINUED)

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

In June 2018, FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this guidance is the determination on whether two parties receive and sacrifice commensurate value to distinguish which guidance should be applied. FASB 958-605, Not-for-Profit Entities – Revenue Recognition should be followed for contributions while FASB 606, Revenue from Contracts with Customers should be followed for exchange transactions. For private companies and organizations, the ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It should be applied on a modified prospective basis with retrospective application being permitted. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

#### ***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.

#### ***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.

# MINNESOTA COMPUTERS FOR SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. (CONTINUED)

#### ***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, 2018 and 2017, 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.

#### ***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, 2018 and 2017. Shipping and handling costs are expensed as incurred.

#### ***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 net assets without donor restrictions 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 net assets with donor restrictions to net assets without 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 3-15 years, software over 3 years, and leasehold improvements over 8 years.

#### ***Deferred income:***

The Organization records deferred income related to future events and unearned contract revenue. Sponsorship revenues received for events are recognized when the event occurs. Contract revenues from government grants that are considered exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Specifically for 2018 and 2017, the Organization was approved for grants from the State of Minnesota for \$275,000 and \$200,000, respectively. The grants have been included in grants receivable and deferred revenue as of December 31, 2018 and 2017.

# MINNESOTA COMPUTERS FOR SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. (CONTINUED)

#### ***Warranty arrangements:***

The Organization's products generally carry explicit warranties that extend 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 customers 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.

#### ***Support and revenue recognition:***

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. There were no promises to give outstanding as of December 31, 2018 and 2017.

Government grants and contracts that are considered exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred.

#### ***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.

#### ***Sales:***

Sales of refurbished computers are recorded when shipped.

# MINNESOTA COMPUTERS FOR SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. (CONTINUED)

#### *Functional allocation of expenses:*

The financial statements of Minnesota Computers for Schools report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated based on individual job functions. Indirect costs are allocated based on management's estimates, considering the nature of the expense and how it relates to the functional area. General and administrative costs include expenses that provide for the overall support of the organization. Indirect costs are allocated based on management's estimates, considering the nature of the expense and how it relates to the functional area.

#### *Reclassifications:*

Certain reclassifications have been made to the 2017 financial statements to conform with the 2018 financial statement presentation. Such reclassifications have no effect on net assets as previously reported.

#### *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 2018 and 2017, 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. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented, when required. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following amounts:

<b>YEARS ENDED DECEMBER 31,</b>	<b>2018</b>	<b>2017</b>
Furniture and equipment	\$ 96,926	\$ 58,713
Leasehold improvements	7,004	7,404
Software	92,415	69,917
Total cost	196,345	136,034
Less: accumulated depreciation	104,286	113,412
<b>Total</b>	<b>\$ 92,059</b>	<b>\$ 22,622</b>

Depreciation expense of \$14,803 and \$10,668 was recorded for the years ended December 31, 2018 and 2017, respectively.

**NOTE 4. NOTE PAYABLE**

The Organization has a \$50,000 note payable beginning October 31, 2017, due in monthly installments of \$4,315 including interest at 6.5% to September 2018. Borrowings under the note payable are secured by all business assets. The balance of the note payable was \$0 and \$37,873 at December 31, 2018 and 2017, respectively.

The Organization has a \$150,000 note payable beginning March 13, 2019, with the first two payments being interest only, and then due in monthly installments of \$4,600 including interest at 6.5% to May 2022. The loan requires a copy of financial statements be provided each month and requires the Organization maintain a deposit savings account in a federally insured financial institution during the term of the loan, with monthly deposits of \$2,000. Borrowings under the note payable are secured by all business assets.

**NOTE 5. NON-CASH CONTRIBUTIONS**

Non-cash contributions are as follows:

<b>YEARS ENDED DECEMBER 31,</b>	<b>2018</b>	<b>2017</b>
Rent, utilities and security - Dept. of Corrections	\$ 138,420	\$ 138,431
Salaries, payroll taxes, and benefits of inmates - Dept. of Corrections	186,127	320,866
Transportation - Dept. of Corrections	9,756	9,750
Supplies and equipment	44,281	37,835
Event in-kind donated items	-	2,250
<b>Total</b>	<b>\$ 378,584</b>	<b>\$ 509,132</b>



**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes:

<b>DECEMBER 31,</b>	<b>2018</b>	<b>2017</b>
Best Buy Foundation for core IT workforce development	\$ 10,000	\$ 2,215
Boston Scientific for core IT workforce youth development	14,836	542
American Honda for core IT workforce youth development	23,134	-
Wells Fargo Foundation for core IT workforce development	4,087	-
Saint Paul Foundation for core IT workforce development	-	14,368
Bigelow Foundation for core IT workforce development	-	14,686
Pronto Labs Foundation for core IT workforce development	-	15,000
Pentair Foundation for STEM program	-	5,000
<b><i>Total</i></b>	<b>\$ 52,057</b>	<b>\$ 51,811</b>

**NOTE 7. LEASE COMMITMENT**

The Organization has an operating lease for production and warehouse space with the Minnesota Department of Corrections through November 30, 2022. As of July 1, 2019, lease payments are no longer required by the Department of Corrections and a lease cancellation is in progress. They also have an operating lease for space at another location through September 2018.

The Organization has an operating lease for office space and warehouse space commencing November 2018 through February 2024. There are incremental rent increases each year. The first two months following the commencement date were considered a “Free Rent Period” equal to \$21,809. Should the Organization default in performance of any of its obligations under the lease, the Free Rent becomes immediately due and payable to the landlord as additional rent.

The future minimum lease payments under these leases are as follows:

<b>YEARS ENDING DECEMBER 31,</b>	
2019	\$ 146,085
2020	149,428
2021	152,771
2022	154,845
2023	144,468
Thereafter	148,050
<b><i>Total minimum lease payments</i></b>	<b>\$ 895,647</b>

# **MINNESOTA COMPUTERS FOR SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 7. (CONTINUED)**

Rental expense for these leases amounted to \$55,073 and \$14,855 for the years ended December 31, 2018 and 2017, respectively.

The Organization also holds two month-to-month leases for space rental for meetings and programs. Rent expense charged to operations under these leases amounted to \$14,640 for both of the years ended December 31, 2018 and 2017.

### **NOTE 8. 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 9. 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 no employer contributions.

### **NOTE 10. BOARD DESIGNATED FUNDS**

The Board of Minnesota Computers for Schools can authorize management to designate funds for specific projects. There were no board designated funds for the years ended December 31, 2018 and 2017.

### **NOTE 11. LIQUIDITY**

The Organization receives its revenue from a variety of funding sources, including government agencies, foundations, and individuals. Government contracts are generally reimbursable and for a specific purpose and timeframe. Foundation grants and contributions are sometimes restricted to individual programs. Minnesota Computers for Schools considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization also earns a significant portion of revenue from computer and online sales. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As noted in Note 4, a \$150,000 loan was opened in 2019 to provide additional operating funding.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 11. (CONTINUED)**

Financial assets, as of December 31, 2018 *	\$ 485,642
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Unearned revenue included in grants receivable	<u>(325,503)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 160,139</u>

\* Total assets, less nonfinancial assets (property and equipment, inventory, prepaids, security deposit)

**NOTE 12. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through July 23, 2019, the date which the financial statements were available to be issued.