

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

***FINANCIAL STATEMENTS***

***DECEMBER 31, 2015***

## **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  
Bayport, 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, 2015 and 2014 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, 2015 and 2014, 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 + Barenaescheer PLLP*

Boyum & Barenaescheer PLLP  
Minneapolis, Minnesota  
May 17, 2016

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31,	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 532,912	\$ 616,224
Grants and accounts receivable	122,461	57,041
Inventory - materials	4,568	17,293
Prepaid expenses	22,717	12,977
	<b>682,658</b>	<b>703,535</b>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Software	66,294	60,426
Leasehold improvement	7,404	6,100
Furniture and equipment	63,921	48,921
	137,619	115,447
Less accumulated depreciation	90,388	74,365
	<b>47,231</b>	<b>41,082</b>
<b>Net property and equipment</b>		
	<b>47,231</b>	<b>41,082</b>
<b>Total assets</b>		
	<b>\$ 729,889</b>	<b>\$ 744,617</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 16,825	\$ 19,626
Accrued payroll and payroll taxes	19,912	24,900
Deferred income	16,850	3,300
Accrued vacation pay	14,414	16,359
Warranty liability	25,000	20,000
	<b>93,001</b>	<b>84,185</b>
<b>NET ASSETS</b>		
Unrestricted net assets	479,883	635,855
Temporarily restricted net assets	157,005	24,577
	<b>636,888</b>	<b>660,432</b>
<b>Total net assets</b>		
	<b>636,888</b>	<b>660,432</b>
<b>Total liabilities and net assets</b>		
	<b>\$ 729,889</b>	<b>\$ 744,617</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF ACTIVITIES**

<b>YEARS ENDED DECEMBER 31,</b>	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUES, SUPPORT AND OTHER INCOME</b>			
Contributions and grants	\$ 187,208	\$ 153,997	\$ 341,205
Contributed services and use of facilities	477,201	-	477,201
Computer sales	945,715	-	945,715
Interest income	520	-	520
Net assets released from restriction	21,569	(21,569)	-
<b><i>Total revenues, support and other income</i></b>	<b>1,632,213</b>	<b>132,428</b>	<b>1,764,641</b>
<b>EXPENSES</b>			
Program services	1,431,693	-	1,431,693
Supporting activities			
General and administrative	247,759	-	247,759
Fundraising and grant solicitation	108,733	-	108,733
<b><i>Total expenses</i></b>	<b>1,788,185</b>	<b>-</b>	<b>1,788,185</b>
<b><i>Increase (decrease) in net assets</i></b>	<b>(155,972)</b>	<b>132,428</b>	<b>(23,544)</b>
<b>Net assets, beginning of year</b>	<b>635,855</b>	<b>24,577</b>	<b>660,432</b>
<b><i>Net assets, end of year</i></b>	<b>\$ 479,883</b>	<b>\$ 157,005</b>	<b>\$ 636,888</b>

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<b>2014</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 194,491	\$ 24,577	\$ 219,068
487,896	-	487,896
1,111,969	-	1,111,969
562	-	562
92,047	(92,047)	-
<b>1,886,965</b>	<b>(67,470)</b>	<b>1,819,495</b>
1,348,062	-	1,348,062
253,304	-	253,304
110,695	-	110,695
<b>1,712,061</b>	<b>-</b>	<b>1,712,061</b>
<b>174,904</b>	<b>(67,470)</b>	<b>107,434</b>
<b>460,951</b>	<b>92,047</b>	<b>552,998</b>
<b>\$ 635,855</b>	<b>\$ 24,577</b>	<b>\$ 660,432</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF FUNCTIONAL EXPENSES**

<b>YEARS ENDED DECEMBER 31,</b>	<b>2015</b>			
	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
Salaries, payroll taxes and benefits	\$ 808,950	\$ 165,609	\$ 31,045	\$ 1,005,604
Computer components and equipment	256,541	-	-	256,541
Rent, utilities and security	137,604	12,678	-	150,282
Insurance	1,675	6,701	-	8,376
Board of directors	670	2,681	-	3,351
Marketing-general	11,629	3,323	1,661	16,613
Marketing-annual event	10,444	-	10,443	20,887
Marketing-grant writing	-	-	64,164	64,164
Office supplies	3,061	2,091	-	5,152
Printing and reproduction	90	266	1,420	1,776
Postage	224	895	-	1,119
Professional fees / contract services	110,392	30,698	-	141,090
Repairs and maintenance	1,665	-	-	1,665
Transportation	24,194	-	-	24,194
Travel, meals and entertainment	4,022	16,089	-	20,111
Small tool & equipment expense	12,090	-	-	12,090
Salvage disposal	3,867	-	-	3,867
Depreciation	16,023	-	-	16,023
Warranty expense	26,869	-	-	26,869
Miscellaneous	1,683	6,728	-	8,411
<b><i>Total expenses</i></b>	<b>\$ 1,431,693</b>	<b>\$ 247,759</b>	<b>\$ 108,733</b>	<b>\$ 1,788,185</b>

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

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**2014**

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<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
\$ 759,993	\$ 181,156	\$ 34,630	\$ 975,779
216,503	-	-	216,503
136,756	12,678	-	149,434
1,485	5,937	-	7,422
328	1,313	-	1,641
8,329	2,379	1,189	11,897
14,925	-	14,926	29,851
-	-	59,120	59,120
467	1,866	-	2,333
52	155	830	1,037
276	1,105	-	1,381
117,822	28,876	-	146,698
3,675	-	-	3,675
26,529	-	-	26,529
3,537	14,148	-	17,685
12,050	-	-	12,050
3,642	-	-	3,642
13,653	-	-	13,653
24,348	-	-	24,348
3,692	3,691	-	7,383
<b>\$ 1,348,062</b>	<b>\$ 253,304</b>	<b>\$ 110,695</b>	<b>\$ 1,712,061</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>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (23,544)	\$ 107,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,023	13,653
Changes in assets and liabilities:		
Grants and accounts receivable	(65,420)	49,515
Inventory	12,725	(7,901)
Prepaid expenses	(9,740)	3,769
Accounts payable	(2,801)	(1,236)
Warranty liability	5,000	5,000
Deferred income	13,550	985
Accrued expenses and other liabilities	(6,933)	(398)
	<hr/>	<hr/>
<i>Net cash provided (used) by operating activities</i>	<b>(61,140)</b>	<b>170,821</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(22,172)	(17,623)
	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	<b>(22,172)</b>	<b>(17,623)</b>
	<hr/>	<hr/>
<i>Increase (decrease) in cash and cash equivalents</i>	<b>(83,312)</b>	<b>153,198</b>
Cash and cash equivalents, beginning of year	616,224	463,026
	<hr/>	<hr/>
<i>Cash and cash equivalents, end of year</i>	<b>\$ 532,912</b>	<b>\$ 616,224</b>

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 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 continues to expand its Workforce Development Program, which brings technology access and job skills to disadvantaged youth at Guadalupe Alternative Programs (GAP School), Washington Tech Magnet School, Humboldt School, Emerge (ECTC), and Promise Neighborhood. 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 2015 and 2014, one government agency donated approximately 37% and 47% 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, 2015 and 2014, 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.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

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**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, 2015 and 2014, 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 \$82,800 and \$5,300 promises to give outstanding as of December 31, 2015 and 2014, respectively. All promises to give outstanding as of December 31, 2015 and 2014 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 3-15 years, software over 3 years, and leasehold improvements over 8 years.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

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**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, 2015 and 2014. Shipping and handling costs are expensed as incurred.

***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.

***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.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

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**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 2015 and 2014, 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:

<b>YEARS ENDED DECEMBER 31,</b>	<b>2015</b>	<b>2014</b>
Rent, utilities and security - Dept. of Corrections	\$ 138,432	\$ 138,417
Salaries, payroll taxes, and benefits of inmates - Dept. of Corrections	319,065	312,800
Transportation - Dept. of Corrections	9,756	9,750
Event in kind donated items - various donors	9,948	24,829
Computer components	-	2,100
<b><i>Total</i></b>	<b>\$ 477,201</b>	<b>\$ 487,896</b>

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

<b>DECEMBER 31,</b>	<b>2015</b>	<b>2014</b>
Archie & Bertha Walker for workforce development	\$ 260	\$ -
Wells Fargo Foundation for workforce development	1,477	-
Morgan Foundation for St. Cloud Initiatives	33,007	10,000
Otto Bremer Foundation for workforce development	100,000	-
St. Croix Lions Club for St. Cloud Initiatives	200	-
Carl and Verna Schmidt Foundation for workforce development	-	3,277
Accenture for workforce development	10,000	-
Pentair Foundation for STEM	-	5,000
Elmer L & Eleanor Andersen for workforce development	1,000	-
General operating support, for subsequent periods	-	300
Fred and Katherine Anderson for program development	11,061	5,000
Goodrich Foundation for STEM	-	1,000
<b><i>Total</i></b>	<b>\$ 157,005</b>	<b>\$ 24,577</b>

**NOTE 4. LEASE COMMITMENT**

The Organization has an operating lease for production and warehouse space with the Minnesota Department of Corrections through November 30, 2017. The future minimum lease payments under this lease are as follows:

<b>YEARS ENDING DECEMBER 31,</b>	
2016	\$ 11,017
2017	10,099
<b><i>Total minimum lease payments</i></b>	<b>\$ 21,116</b>

Rental expense for this lease amounted to \$11,017 for each of the years ended December 31, 2015 and 2014.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

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**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. 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 7. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 17, 2016, the date which the financial statements were available to be issued.