

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

***FINANCIAL STATEMENTS***

***DECEMBER 31, 2014***

## **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, 2014 and 2013 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, 2014 and 2013, 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 16, 2015

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF FINANCIAL POSITION**

<b>DECEMBER 31,</b>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 616,224	\$ 463,026
Grants and accounts receivable	57,041	106,556
Inventory - materials	17,293	9,392
Prepaid expenses	12,977	16,746
<i>Total current assets</i>	<b>703,535</b>	<b>595,720</b>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Software	60,426	55,447
Leasehold improvement	6,100	-
Furniture and equipment	48,921	42,377
	115,447	97,824
Less accumulated depreciation	74,365	60,712
<i>Net property and equipment</i>	<b>41,082</b>	<b>37,112</b>
<i>Total assets</i>	<b>\$ 744,617</b>	<b>\$ 632,832</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,626	\$ 20,862
Accrued payroll and payroll taxes	24,900	26,325
Deferred income	3,300	2,315
Accrued vacation pay	16,359	15,332
Warranty liability	20,000	15,000
<i>Total current liabilities</i>	<b>84,185</b>	<b>79,834</b>
<b>NET ASSETS</b>		
Unrestricted net assets	635,855	460,951
Temporarily restricted net assets	24,577	92,047
<i>Total net assets</i>	<b>660,432</b>	<b>552,998</b>
<i>Total liabilities and net assets</i>	<b>\$ 744,617</b>	<b>\$ 632,832</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31,	2014		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, SUPPORT AND OTHER INCOME</b>			
Contributions and grants	\$ 194,491	\$ 24,577	\$ 219,068
Contributed services and use of facilities	487,896	-	487,896
Computer sales	1,111,969	-	1,111,969
Interest income	562	-	562
Net assets released from restriction	92,047	(92,047)	-
<i><b>Total revenues, support and other income</b></i>	<b>1,886,965</b>	<b>(67,470)</b>	<b>1,819,495</b>
<b>EXPENSES</b>			
Program services	1,348,062	-	1,348,062
Supporting activities			
General and administrative	253,304	-	253,304
Fundraising and grant solicitation	110,695	-	110,695
<i><b>Total expenses</b></i>	<b>1,712,061</b>	<b>-</b>	<b>1,712,061</b>
<i><b>Increase (decrease) in net assets</b></i>	<b>174,904</b>	<b>(67,470)</b>	<b>107,434</b>
<b>Net assets, beginning of year</b>	<b>460,951</b>	<b>92,047</b>	<b>552,998</b>
<i><b>Net assets, end of year</b></i>	<b>\$ 635,855</b>	<b>\$ 24,577</b>	<b>\$ 660,432</b>

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<b>2013</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 141,348	\$ 82,180	\$ 223,528
373,875	-	373,875
855,022	-	855,022
680	-	680
112,410	(112,410)	-
<b>1,483,335</b>	<b>(30,230)</b>	<b>1,453,105</b>
1,180,669	-	1,180,669
281,421	-	281,421
79,434	-	79,434
<b>1,541,524</b>	<b>-</b>	<b>1,541,524</b>
<b>(58,189)</b>	<b>(30,230)</b>	<b>(88,419)</b>
<b>519,140</b>	<b>122,277</b>	<b>641,417</b>
<b>\$ 460,951</b>	<b>\$ 92,047</b>	<b>\$ 552,998</b>

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF FUNCTIONAL EXPENSES**

<b>YEARS ENDED DECEMBER 31,</b>	<b>2014</b>			
	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
Salaries, payroll taxes and benefits	\$ 759,993	\$ 181,156	\$ 34,630	\$ 975,779
Computer components and equipment	216,503	-	-	216,503
Rent, utilities and security	136,756	12,678	-	149,434
Insurance	1,485	5,937	-	7,422
Board of directors	328	1,313	-	1,641
Marketing-general	8,329	2,379	1,189	11,897
Marketing-annual event	14,925	-	14,926	29,851
Marketing-grant writing	-	-	59,120	59,120
Office supplies	467	1,866	-	2,333
Printing and reproduction	52	155	830	1,037
Postage	276	1,105	-	1,381
Professional fees / contract services	117,822	28,876	-	146,698
Repairs and maintenance	3,675	-	-	3,675
Transportation	26,529	-	-	26,529
Travel, meals and entertainment	3,537	14,148	-	17,685
Small tool & equipment expense	12,050	-	-	12,050
Salvage disposal	3,642	-	-	3,642
Depreciation	13,653	-	-	13,653
Warranty expense	24,348	-	-	24,348
Miscellaneous	3,692	3,691	-	7,383
<b><i>Total expenses</i></b>	<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.

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**2013**

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<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
\$ 662,337	\$ 162,747	\$ 19,493	\$ 844,577
248,436	3,776	-	252,212
124,370	12,678	-	137,048
1,302	5,208	-	6,510
264	1,055	-	1,319
16,312	4,661	2,330	23,303
10,185	-	10,185	20,370
-	-	46,249	46,249
260	1,039	-	1,299
74	220	1,177	1,471
182	728	-	910
44,431	72,983	-	117,414
251	-	-	251
21,399	-	-	21,399
3,561	14,253	-	17,814
15,840	-	-	15,840
2,167	-	-	2,167
9,304	-	-	9,304
19,476	-	-	19,476
518	2,073	-	2,591
<b>\$ 1,180,669</b>	<b>\$ 281,421</b>	<b>\$ 79,434</b>	<b>\$ 1,541,524</b>

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF CASH FLOWS**

<b>YEARS ENDED DECEMBER 31,</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 107,434	\$ (88,419)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,653	9,304
Changes in assets and liabilities:		
Grants and accounts receivable	49,515	(32,642)
Inventory	(7,901)	1,577
Prepaid expenses	3,769	4,944
Accounts payable	(1,236)	11,336
Warranty liability	5,000	5,000
Deferred income	985	2,315
Accrued expenses and other liabilities	(398)	(13,057)
	<b>170,821</b>	<b>(99,642)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(17,623)	(27,837)
	<b>(17,623)</b>	<b>(27,837)</b>
	<b>153,198</b>	<b>(127,479)</b>
Cash and cash equivalents, beginning of year	463,026	590,505
	<b>\$ 616,224</b>	<b>\$ 463,026</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 recently started a pilot Workforce Development Program, which brings technology access and job skills to disadvantaged youth at Guadalupe Alternative 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 2014 and 2013, one government agency donated approximately 47% and 34% 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, 2014 and 2013, 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, 2014 and 2013, 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 \$5,300 and \$27,825 promises to give outstanding as of December 31, 2014 and 2013, respectively. All promises to give outstanding as of December 31, 2014 and 2013 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 3-10 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, 2014 and 2013. 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 2014 and 2013, 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>2014</b>	<b>2013</b>
Rent, utilities and security - Dept. of Corrections	\$ 138,417	\$ 126,031
Salaries, payroll taxes, and benefits of inmates - Dept. of Corrections	312,800	223,843
Transportation - Dept. of Corrections	9,750	7,800
Event in kind donated items - various donors	24,829	16,201
Computer components	2,100	-
<b><i>Total</i></b>	<b>\$ 487,896</b>	<b>\$ 373,875</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>2014</b>	<b>2013</b>
Boston Scientific for workforce development	\$ -	\$ 7,500
Bigelow Foundation for workforce development	-	9,829
Morgan Foundation for St. Cloud Initiatives	10,000	-
Otto Bremer Foundation for workforce development	-	27,062
Mardag Foundation for workforce development	-	10,000
Car and Verna Schmidt Foundation for workforce development	3,277	-
Best Buy Childrens Foundation for workforce development	-	5,000
St Paul Foundation for workforce development, for subsequent periods	-	15,000
Pentair Foundation for STEM	5,000	797
Elmer L & Eleanor Andersen for workforce development	-	1,000
Minnesota Pollution Control Agency, for subsequent periods	-	9,070
General operating support, for subsequent periods	300	5,000
BNSF Foundation, for workforce development	-	1,789
Fred and Katherine Anderson for program development	5,000	-
Goodrich Foundation for STEM	1,000	-
<b><i>Total</i></b>	<b>\$ 24,577</b>	<b>\$ 92,047</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>	
2015	\$ 11,017
2016	11,017
2017	10,099
<b><i>Total minimum lease payments</i></b>	<b>\$ 32,133</b>

Rental expense for this lease amounted to \$11,017 for each of the years ended December 31, 2014 and 2013.

**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 June 16, 2015, the date which the financial statements were available to be issued.