



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

***FINANCIAL STATEMENTS***

***DECEMBER 31, 2019 AND 2018***

## **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, 2019 and 2018 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, 2019 and 2018, 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 & Barescheer PLLP*

Boyum & Barescheer PLLP  
Minneapolis, Minnesota  
October 23, 2020

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF FINANCIAL POSITION**

<b>DECEMBER 31,</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,894	\$ 28,840
Accounts receivable	16,028	76,950
Grants receivable	29,158	54,671
Inventory - materials	1,758	1,758
Prepaid expenses	-	22,308
Security deposit	17,173	17,173
Property and equipment, net	99,175	92,059
<b><i>Total assets</i></b>	<b>\$ 178,186</b>	<b>\$ 293,759</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 61,740	\$ 51,290
Accrued payroll and payroll taxes	23,411	18,218
Accrued vacation pay	27,336	43,116
Deferred income	822	322
Warranty liability	6,400	6,400
Rent liability	-	22,188
Note payable	122,284	-
Lease to own liability	-	5,781
<b><i>Total liabilities</i></b>	<b>241,993</b>	<b>147,315</b>
<b>NET ASSETS</b>		
Net assets without donor restrictions	(63,807)	94,387
Net assets with donor restrictions	-	52,057
<b><i>Total net assets</i></b>	<b>(63,807)</b>	<b>146,444</b>
<b><i>Total liabilities and net assets</i></b>	<b>\$ 178,186</b>	<b>\$ 293,759</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS**

**STATEMENTS OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, SUPPORT AND OTHER INCOME</b>			
Contributions and grants	\$ 314,560	\$ -	\$ 314,560
Computer sales	694,673	-	694,673
Government grants	220,215	-	220,215
Program service fees	28,888	-	28,888
Interest income	3	-	3
Event revenues	13,500	-	13,500
Net assets released from restriction	52,057	(52,057)	-
<b><i>Total revenues, support and other income</i></b>	<b>1,323,896</b>	<b>(52,057)</b>	<b>1,271,839</b>
<b>EXPENSES</b>			
Program services	1,223,621	-	1,223,621
General and administrative	124,064	-	124,064
Fundraising and grant solicitation	136,517	-	136,517
<b><i>Total expenses</i></b>	<b>1,484,202</b>	<b>-</b>	<b>1,484,202</b>
<b>OTHER INCOME (EXPENSE)</b>			
Gain on disposal	2,112	-	2,112
<b><i>Total other income (expense)</i></b>	<b>2,112</b>	<b>-</b>	<b>2,112</b>
<b><i>Decrease in net assets</i></b>	<b>(158,194)</b>	<b>(52,057)</b>	<b>(210,251)</b>
<b>Net assets, beginning of year</b>	<b>94,387</b>	<b>52,057</b>	<b>146,444</b>
<b><i>Net assets, end of year</i></b>	<b>\$ (63,807)</b>	<b>\$ -</b>	<b>\$ (63,807)</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 FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2019**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
Salaries, payroll taxes and benefits	\$ 740,596	\$ 60,255	\$ 68,107	\$ 868,958
Computer components and equipment	30,642	623	852	32,117
Rent, utilities and security	215,391	3,664	764	219,819
Insurance	27,303	1,065	180	28,548
Board of director expense	58	149	25	232
Marketing - general	1,197	65	727	1,989
Marketing - annual event	-	-	1,082	1,082
Marketing - grant writing	1,000	-	62,875	63,875
Office supplies	3,889	982	78	4,949
Printing and reproduction	594	601	-	1,195
Postage	-	155	65	220
Professional fees / contract services	141,992	41,792	-	183,784
Repairs and maintenance	1,168	1,186	5	2,359
Transportation	10,823	1	-	10,824
Travel, meals and entertainment	1,128	2,014	12	3,154
Small tools, equipment and supplies	7,193	98	461	7,752
Salvage disposal	24,137	-	-	24,137
Depreciation	10,118	519	98	10,735
Warranty expense	-	-	-	-
Miscellaneous	6,392	10,895	1,186	18,473
<b><i>Total functional expenses</i></b>	<b>\$ 1,223,621</b>	<b>\$ 124,064</b>	<b>\$ 136,517</b>	<b>\$ 1,484,202</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 tool & equipment expense	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 CASH FLOWS**

<b>YEARS ENDED DECEMBER 31,</b>	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (210,251)	\$ (19,460)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,735	14,803
(Gain) loss on disposal	(2,112)	4,867
Donated fixed assets	-	(24,000)
Changes in assets and liabilities:		
Grants and accounts receivable	86,435	(4,482)
Inventory - materials	-	1,460
Prepaid expenses	22,308	(14,414)
Security deposit	-	(17,173)
Accounts payable	10,450	26,142
Accrued payroll and taxes	5,193	7,250
Accrued vacation pay	(15,780)	15,085
Deferred income	500	-
Warranty liability	-	(4,290)
Rent liability	(22,188)	22,188
	<b>(114,710)</b>	<b>7,976</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	2,899	-
Purchases of property and equipment	(18,638)	(59,326)
	<b>(15,739)</b>	<b>(59,326)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	150,000	-
Payments on notes payable	(33,497)	(37,873)
	<b>116,503</b>	<b>(37,873)</b>
	<b>(13,946)</b>	<b>(89,223)</b>
Cash and cash equivalents, beginning of year	28,840	118,063
	<b>\$ 14,894</b>	<b>\$ 28,840</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 7,677	\$ 1,031

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 2019 and 2018, there were no concentrations in computer donations. Contributions and grants to the Organization come primarily from foundations in the Minnesota Twin Cities area.

#### ***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.

#### ***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, 2019 and 2018, net assets with donor restrictions were \$0 and \$52,057, respectively.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

***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.

***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, 2019 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.

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, 2021 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.

***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, 2019 and 2018, 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.

# 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, 2019 and 2018. 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.

#### *Warranty arrangements:*

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

# MINNESOTA COMPUTERS FOR SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. (CONTINUED)

#### *Revenue recognition for contributions received and contributions made:*

Effective January 1, 2019, the Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* which is intended to improve the usefulness and understandability of the Organization's financial reporting. The new ASU 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. Since the Organization is using the optional one-year deferral of FASB 606, previous guidance for exchange transactions is followed.

The adoption of this new guidance was done using the modified prospective method for contributions received. Guidance for contributions made are applicable for periods beginning after December 15, 2019.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified prospective method.

#### *Contribution and grant revenue:*

Contributions and foundation grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions and grants 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, 2019 and 2018.

#### *Government grants:*

Government grant revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses and are therefore considered conditional contributions under the new ASU. Amounts received are recognized as donor restricted revenue once the conditions are met, which is when the Organization has incurred expenditures in compliance with specific contract or grant provisions. These restrictions are simultaneously released from restriction as the revenue is recognized and is reported as an increase in net assets without donor restrictions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position; there were no refundable advances at December 31, 2019 and 2018.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

***Revenue recognition for contributions received and contributions made (continued):***

*Government grants (continued):*

The Organization received conditional contributions related to cost-reimbursable grants of \$193,155 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred.

The Organization records a liability for unrecognized grant revenue, which is offset by grants receivable, at the time a grant is awarded, these amounts are netted on the statement of financial position in the grants receivable line item. In 2019 and 2018, the Organization was approved for grants from the State of Minnesota for \$200,000 and \$125,000, respectively.

*Event revenue:*

The Organization holds events during the year in order to raise funds or promote the Organization's mission. Contributions received and promises to give as a result of the event follow the revenue recognition as noted above in contribution revenue.

*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.

*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. Revenue is recognized when eligible expenditures, as defined in each grant or contract, are incurred.

*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.

#### *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 2019 and 2018, 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.

#### *Advertising:*

Advertising is charged to expense when incurred. Advertising expenses totaled \$1,989 and \$10,006 for the years ended December 31, 2019 and 2018, respectively.

#### *Subsequent events:*

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through October 23, 2020, the date the financial statements were available to be issued.

#### *Reclassifications:*

Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 financial statement presentation.



**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following amounts:

<b>YEARS ENDED DECEMBER 31,</b>	<b>2019</b>	<b>2018</b>
Furniture and equipment	\$ 83,237	\$ 96,926
Leasehold improvements	5,700	7,004
Software	111,053	92,415
Total cost	199,990	196,345
Less: accumulated depreciation	100,815	104,286
<b>Total</b>	<b>\$ 99,175</b>	<b>\$ 92,059</b>

Depreciation expense of \$10,735 and \$14,803 was recorded for the years ended December 31, 2019 and 2018, respectively.

**NOTE 3. NOTE PAYABLE**

Note payable consists of the following:

<b>DECEMBER 31,</b>	<b>2019</b>	<b>2018</b>
Note payable, with the first two payments being interest only, and then due in monthly installments of \$4,600 including interest at 6.5%, beginning March 2019 to May 2022.	\$ 122,284	\$ -
Less current maturities	(48,639)	-
<b>Note payable, less current maturities</b>	<b>\$ 73,645</b>	<b>\$ -</b>

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. Future payments are due as follows:

<b>YEARS ENDING DECEMBER 31,</b>	
2020	\$ 48,639
2021	51,897
2022	21,748
<b>Total</b>	<b>\$ 122,284</b>

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. NON-CASH CONTRIBUTIONS**

Non-cash contributions are as follows:

<b>YEARS ENDED DECEMBER 31,</b>	<b>2019</b>	<b>2018</b>
Rent, utilities and security - Dept. of Corrections	\$ -	\$ 138,420
Salaries, payroll taxes, and benefits of inmates - Dept. of Corrections	-	186,127
Transportation - Dept. of Corrections	-	9,756
Supplies and equipment	-	44,281
<b><i>Total</i></b>	<b>\$ -</b>	<b>\$ 378,584</b>

**NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS**

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

<b>DECEMBER 31,</b>	<b>2019</b>	<b>2018</b>
Best Buy Foundation for core IT workforce development	\$ -	\$ 10,000
Boston Scientific for core IT workforce youth development	-	14,836
American Honda for core IT workforce youth development	-	23,134
Wells Fargo Foundation for core IT workforce development	-	4,087
<b><i>Total</i></b>	<b>\$ -</b>	<b>\$ 52,057</b>

**NOTE 6. LEASE COMMITMENT**

The Organization had 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 were no longer required by the Department of Corrections and the lease was cancelled. They also had 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.

**MINNESOTA COMPUTERS FOR SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6. (CONTINUED)**

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

**YEARS ENDING DECEMBER 31,**

2020	\$	134,200
2021		137,543
2022		140,886
2023		144,468
2024		148,050
<b><i>Total minimum lease payments</i></b>		<b>\$ 705,147</b>

Rental expense for these leases amounted to \$187,913 and \$55,073 for the years ended December 31, 2019 and 2018, respectively.

The Organization also held two month-to-month leases for space rental for meetings and programs. Rent expense charged to operations under these leases amounted to \$3,487 and \$14,640 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 7. 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 8. 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 9. 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, 2019 and 2018.

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10. 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 3 and 11, loans have been taken on to provide additional funding.

<b>DECEMBER 31,</b>	<b>2019</b>	<b>2018</b>
Financial assets *	\$ 60,080	\$ 160,461
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
None	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 60,080	\$ 160,461

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

**NOTE 11. UNCERTAINTY**

Soon after year end, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of October 23, 2020, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 11. (CONTINUED)**

The Organization was able to maintain operations during the state mandated “stay-home” order, moving to more virtual formatting. The Organization obtained a loan from the Small Business Association in May 2020 to help fund operations through the COVID-19 pandemic in the amount of \$400,500. The loan requires payments of \$1,711 that will begin in May 2021, interest will accrue at 2.75% and the balance of principal and interest will be payable thirty years from the date of the promissory note. The organization also obtained a Paycheck Protection Program loan through the Small Business Administration to fund operations through the COVID-19 pandemic in the amount of \$149,400 on April 30, 2020. This loan is potentially forgivable.

**NOTE 12. MANAGEMENT’S PLANS**

The Organization has experienced net losses in both 2019 and 2018. The losses incurred in 2019 were significantly greater than those in 2018. With the loss of the relationship with the local prison mid-2018 and the spread of the global pandemic in 2019, the Organization has had to go through significant changes, which has resulted in a drop in revenues. To support these organizational shifts, the Organization made many changes to infrastructure throughout 2018 and 2019, including an office and warehouse move, creating intern programs and investigating virtual training options. These changes were costly; however a necessary investment.

In 2019, the Organization obtained a NAID certification, which proves that the Organization is in compliance with all known data protection laws and will likely result in more computer donations. With the additional donations, management expects to bring in more computer sale revenue in 2020 and 2021. In addition, the Organization has made significant efforts to cut costs in order to make operations more efficient.

With these changes, management believes the Organization should improve operations in following years.