



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

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019 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.

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF FINANCIAL POSITION

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, 2020 and 2019, 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
August 17, 2021

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2020	2019
ASSETS		
Cash and cash equivalents	\$ 245,909	\$ 14,894
Accounts receivable	47,091	16,028
Grants receivable	10,262	29,158
Inventory - materials	3,131	1,758
Prepaid expenses	21,721	-
Security deposit	17,173	17,173
Property and equipment, net	100,459	99,175
<i>Total assets</i>	\$ 445,746	\$ 178,186
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 18,423	\$ 61,740
Accrued payroll and payroll taxes	29,393	23,411
Accrued vacation pay	17,053	27,336
Deferred income	-	822
Warranty liability	-	6,400
Notes payable	400,400	122,284
<i>Total liabilities</i>	465,269	241,993
NET ASSETS		
Net assets without donor restrictions	(67,632)	(63,807)
Net assets with donor restrictions	48,109	-
<i>Total net assets</i>	(19,523)	(63,807)
<i>Total liabilities and net assets</i>	\$ 445,746	\$ 178,186

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND OTHER INCOME			
Contributions and grants	\$ 455,516	\$ 48,109	\$ 503,625
Computer sales	575,507	-	575,507
Government grants	342,366	-	342,366
Program service fees	43,493	-	43,493
Interest income	7	-	7
Event revenues	2,050	-	2,050
<i>Total revenues, support and other income</i>	1,418,939	48,109	1,467,048
EXPENSES			
Program services	1,114,050	-	1,114,050
General and administrative	141,370	-	141,370
Fundraising and grant solicitation	167,344	-	167,344
<i>Total expenses</i>	1,422,764	-	1,422,764
<i>Increase in net assets</i>	(3,825)	48,109	44,284
Net assets, beginning of year	(63,807)	-	(63,807)
<i>Net assets, end of year</i>	\$ (67,632)	\$ 48,109	\$ (19,523)

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND OTHER INCOME			
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)	-
<i>Total revenues, support and other income</i>	1,323,896	(52,057)	1,271,839
EXPENSES			
Program services	1,223,621	-	1,223,621
General and administrative	124,064	-	124,064
Fundraising and grant solicitation	136,517	-	136,517
<i>Total expenses</i>	1,484,202	-	1,484,202
OTHER INCOME (EXPENSE)			
Loss on disposal	2,112	-	2,112
<i>Total other income (expense)</i>	2,112	-	2,112
<i>Decrease in net assets</i>	(158,194)	(52,057)	(210,251)
Net assets, beginning of year	94,387	52,057	146,444
<i>Net assets, end of year</i>	\$ (63,807)	-	\$ (63,807)

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program	General and Administrative	Fundraising and Grant Solicitation	Total
Salaries, payroll taxes and benefits	\$ 665,265	\$ 72,297	\$ 68,315	\$ 805,877
Computer components and equipment	43,273	2,204	262	45,739
Rent, utilities and security	238,068	5,160	8,884	252,112
Insurance	2,976	2,336	211	5,523
Marketing - general	900	2,850	3,250	7,000
Marketing - annual event	-	12	6,495	6,507
Marketing - grant writing	-	-	72,789	72,789
Office supplies	8,061	1,376	199	9,636
Printing and reproduction	1,078	114	679	1,871
Postage	-	122	165	287
Professional fees / contract services	112,422	43,943	306	156,671
Repairs and maintenance	991	790	-	1,781
Transportation	12,549	91	3,691	16,331
Travel, meals and entertainment	1,002	251	-	1,253
Small tools, equipment and supplies	6,391	392	25	6,808
Salvage disposal	3,360	-	-	3,360
Depreciation	11,709	-	-	11,709
Miscellaneous	6,005	9,432	2,073	17,510
<i>Total functional expenses</i>	\$ 1,114,050	\$ 141,370	\$ 167,344	\$ 1,422,764
Percent of total expenses	78%	10%	12%	100%

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

	Program	General and Administrative	Fundraising and Grant Solicitation	Total
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 tool & equipment expense	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
<i>Total functional expenses</i>	\$ 1,223,621	\$ 124,064	\$ 136,517	\$ 1,484,202
Percent of total expenses	83%	8%	9%	100%

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 44,284	\$ (210,251)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,709	10,735
(Gain) loss on disposal	-	(2,112)
Changes in assets and liabilities:		
Grants and accounts receivable	(12,167)	86,435
Inventory - materials	(1,373)	-
Prepaid expenses	(21,721)	22,308
Accounts payable	(43,317)	10,450
Accrued payroll and taxes	5,982	5,193
Accrued vacation pay	(10,283)	(15,780)
Deferred income	(822)	500.00
Warranty liability	(6,400)	-
Rent liability	-	(22,188)
	(34,108)	(114,710)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	2,899
Purchases of property and equipment	(12,993)	(18,638)
	(12,993)	(15,739)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	400,400	150,000
Payments on notes payable	(122,284)	(33,497)
	278,116	116,503
	231,015	(13,946)
Cash and cash equivalents, beginning of year	14,894	28,840
	\$ 245,909	\$ 14,894
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 4,712	\$ 7,677

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

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Minnesota Computers for Schools (the Organization) is a not-for-profit organization with a mission to provide digital equity to students in need by partnering with schools and educational organizations to provide technology access, engaging STEM programming, and IT workforce development in underserved communities. The Organization employs technicians and CoreIT graduates 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 the following Programs: Mt. Airy and Eastside Boys and Girls Clubs in St. Paul, Neighborhood House in West St. Paul, and Urban League Twin Cities in Minneapolis. In the Fall of 2019, the addition of classes at the Organization's new facility began. Programs teach 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 2020 and 2019, 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, 2020 and 2019, net assets with donor restrictions were \$43,109 and \$0, respectively.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

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 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, 2020 and 2019, 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. All accounts and grants receivable at December 31, 2020 and 2019 are due within one year.

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, 2020 and 2019. Shipping and handling costs are expensed as incurred.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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.

Revenue recognition for contributions received and contributions made:

Effective January 1, 2019, the Organization 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.

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.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. 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.

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, 2020 and 2019.

The Organization originally considered its Paycheck Protection Program (“PPP”) funds as a refundable advance and is following the guidelines of a conditional contribution and therefore cannot recognize a contribution until all conditions are met which management has determined to be upon forgiveness of the loan from the bank. This forgiveness occurred in November 2020 and therefore is recognized in 2020.

The Organization has been awarded conditional contributions related to cost-reimbursable grants of \$103,676 and \$193,155 that have not been recognized at December 31, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred. In 2020 and 2019, the Organization was approved for grants from the State of Minnesota for \$125,000 each year.

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.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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.

Revenue from contracts with customers:

Effective January 1, 2020, the Organization adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)* and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (GAAP). The new guidance requires the Organization to recognize revenue to depict the transfer of good or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those good or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Results for reporting periods beginning after January 1, 2020 are presented under Topic 606 while prior periods amounts are not adjusted and continue to be reported in accordance with legacy GAAP.

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.

Computer sales:

Sales of refurbished computers are recorded at a point in time generally when shipped. Revenues are recognized by the Organization for refurbished computers and parts when control is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to from the customer. Principally the transfer occurs at the time of shipment of the product. Shipping and handling charges billed to customers are recorded as revenue. The Organization records costs related to shipping and handling in expenses.

Program service fees:

The Organization provides various program services for a fee agreed upon between the Organization and the recipient of the services. The fee is recognized over time as the services are performed.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Event revenues:

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. Sponsorship revenues that are specific to an event are recorded at a point in time when the event occurs.

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.

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. At December 31, 2020, no warranty reserve was considered necessary, as the estimated reserve was deemed to be immaterial.

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.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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 2020 and 2019, 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 \$7,000 and \$1,989 for the years ended December 31, 2020 and 2019, respectively.

Subsequent events:

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through August 17, 2021, the date the financial statements were available to be issued.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following amounts:

YEARS ENDED DECEMBER 31,	2020	2019
Furniture and equipment	\$ 87,237	\$ 83,237
Leasehold improvements	5,700	5,700
Software	120,046	111,053
Total cost	<u>212,983</u>	<u>199,990</u>
Less: accumulated depreciation	112,524	100,815
<i>Total</i>	\$ 100,459	\$ 99,175

Depreciation expense of \$11,709 and \$10,735 was recorded for the years ended December 31, 2020 and 2019, respectively.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 3. REFUNDABLE ADVANCE

On April 30, 2020, the Organization received loan proceeds (considered a refundable advance) in the amount of \$139,400 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides loans to qualifying businesses and nonprofits for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business or nonprofit. The loans and accrued interest are forgivable after eight or twenty-four weeks, to be chosen by the borrower, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four week period. The Organization received forgiveness for the entirety of the loan in November 2020.

NOTE 4. NOTES PAYABLE

Notes payable consists of the following:

DECEMBER 31,	2020	2019
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. This note was paid off during 2020.	\$ -	\$ 122,284
Note payable under the SBA Economic Injury Disaster Loan program, with first payment twelve months from note date, and then due in monthly installments of \$1,711, interest paid down first, 2.75%, beginning May 2021 to May 2050.	400,400	\$ -
Less current maturities	-	(48,639)
<i>Notes payable, less current maturities</i>	\$ 400,400	\$ 73,645

Borrowings under the note payable are secured by all business assets. Future payments are due as follows:

YEARS ENDING DECEMBER 31,	
2021	\$ -
2022	9,531
2023	9,796
2024	10,069
2025	10,349
Thereafter	360,655
<i>Total</i>	\$ 400,400

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

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

DECEMBER 31,	2020	2019
HB Fuller for core IT fund	\$ 5,000	\$ -
Boston Scientific for distance learning	15,000	-
Various donations for truck lease	7,207	-
Best Buy for lifelong learners	15,902	-
Hardenbergh Foundation - time restricted	5,000	-
<i>Total</i>	\$ 48,109	\$ -

NOTE 6. NON-CASH CONTRIBUTIONS

Non-cash contributions are as follows:

YEARS ENDED DECEMBER 31,	2020	2019
Transportation	\$ 1,103	\$ -
<i>Total</i>	\$ 1,103	\$ -

NOTE 7. LEASE COMMITMENT

The Organization has an operating lease for office space and warehouse space which commenced 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:

YEARS ENDING DECEMBER 31,	
2021	\$ 137,543
2022	140,886
2023	144,468
2024	148,050
<i>Total minimum lease payments</i>	\$ 570,947

Rental expense for this and past leases amounted to \$220,441 and \$187,913 for the years ended December 31, 2020 and 2019, respectively.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 7. (CONTINUED)

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 for the years ended December 31, 2020 and 2019, respectively.

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. 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, 2020 and 2019.

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. 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, loans have been taken on to provide additional funding.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

DECEMBER 31,	2020	2019
Financial assets *	\$ 303,262	\$ 60,080
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	<u>(48,109)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 255,153</u>	<u>\$ 60,080</u>

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

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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 12. UNCERTAINTY

During the year ended December 31, 2020, 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 have experienced 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. The Organization was able to maintain operations during the state mandated “stay-home” order, moving to more virtual formatting. The Organization obtained a PPP loan (Note 3) from the Small Business Administration in April to help sustain cash flow. The Organization received a loan under the Economic Injury Disaster Loans program (EIDL) in the amount of \$400,400 on April 30, 2020. Accordingly, while management cannot quantify the financial and other impact to the Organization as of August 17, 2021, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.

NOTE 13. MANAGEMENT'S PLANS

The Organization experienced a net loss in unrestricted net assets in 2020 and an overall net loss in 2019. The losses incurred in 2019 were significantly greater than those in 2020. With the loss of the relationship with the local prison mid-2018 and the spread of the global pandemic in 2020, the Organization has had to go through significant changes which resulted in a drop in revenue. To support these organizational shifts, the Organization made many changes to infrastructure over the past few years, including an office and warehouse move, creating an intern program, and investing in the build out of virtual training classes. These changes were costly; however, a necessary investment.

In 2019, the Organization obtained NAID certification, which proves that the Organization is in compliance with all known data protection laws which will likely result in more computer donations. To aid in those efforts, in 2020, the Organization created a Business Development Manager position, to nurture current relationships and build new ones.

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