



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

***FINANCIAL STATEMENTS***

***DECEMBER 31, 2021 AND 2020***

## **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 DBA Minnesota Tech for Success  
Minneapolis, Minnesota

### **Opinion**

We have audited the accompanying financial statements of Minnesota Computers for Schools DBA Minnesota Tech for Success (a Minnesota not-for-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Computers for Schools DBA Minnesota Tech for Success as of December 31, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Boyum & Barescheer PLLP

Minneapolis, Minnesota

June 21, 2022

**MINNESOTA COMPUTERS FOR SCHOOLS  
DBA MINNESOTA TECH FOR SUCCESS**

**STATEMENTS OF FINANCIAL POSITION**

<b>DECEMBER 31,</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 270,414	\$ 245,909
Accounts receivable	62,694	32,091
Grants and contributions receivable	42,665	25,262
Inventory - materials	-	3,131
Prepaid expenses	32,600	21,721
Security deposit	17,173	17,173
Property and equipment, net	180,661	100,459
<b><i>Total assets</i></b>	<b>\$ 606,207</b>	<b>\$ 445,746</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 26,776	\$ 18,423
Accrued payroll and payroll taxes	40,246	29,393
Accrued vacation pay	14,348	17,053
Notes payable	400,400	400,400
<b><i>Total liabilities</i></b>	<b>481,770</b>	<b>465,269</b>
<b>NET ASSETS</b>		
Net assets without donor restrictions	(29,637)	(67,632)
Net assets with donor restrictions	154,074	48,109
<b><i>Total net assets</i></b>	<b>124,437</b>	<b>(19,523)</b>
<b><i>Total liabilities and net assets</i></b>	<b>\$ 606,207</b>	<b>\$ 445,746</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS  
DBA MINNESOTA TECH FOR SUCCESS**

**STATEMENTS OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, SUPPORT AND OTHER INCOME</b>			
Contributions and grants	\$ 396,746	\$ 146,867	\$ 543,613
Computer sales	962,252	-	962,252
Government grants	267,033	-	267,033
Program service fees	3,442	-	3,442
Interest income	45	-	45
Event revenues	36,000	-	36,000
Net assets released from restriction	40,902	(40,902)	-
<b><i>Total revenues, support and other income</i></b>	<b>1,706,420</b>	<b>105,965</b>	<b>1,812,385</b>
<b>EXPENSES</b>			
Program services	1,169,947	-	1,169,947
General and administrative	267,221	-	267,221
Fundraising and grant solicitation	231,257	-	231,257
<b><i>Total expenses</i></b>	<b>1,668,425</b>	<b>-</b>	<b>1,668,425</b>
<b><i>Increase in net assets</i></b>	<b>37,995</b>	<b>105,965</b>	<b>143,960</b>
<b>Net assets, beginning of year</b>	<b>(67,632)</b>	<b>48,109</b>	<b>(19,523)</b>
<b><i>Net assets, end of year</i></b>	<b>\$ (29,637)</b>	<b>\$ 154,074</b>	<b>\$ 124,437</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS  
DBA MINNESOTA TECH FOR SUCCESS**

**STATEMENTS OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, SUPPORT AND OTHER INCOME</b>			
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
<b><i>Total revenues, support and other income</i></b>	<b>1,418,939</b>	<b>48,109</b>	<b>1,467,048</b>
<b>EXPENSES</b>			
Program services	1,114,050	-	1,114,050
General and administrative	141,370	-	141,370
Fundraising and grant solicitation	167,344	-	167,344
<b><i>Total expenses</i></b>	<b>1,422,764</b>	<b>-</b>	<b>1,422,764</b>
<b><i>Increase (decrease) in net assets</i></b>	<b>(3,825)</b>	<b>48,109</b>	<b>44,284</b>
<b>Net assets, beginning of year</b>	<b>(63,807)</b>	<b>-</b>	<b>(63,807)</b>
<b><i>Net assets, end of year</i></b>	<b>\$ (67,632)</b>	<b>\$ 48,109</b>	<b>\$ (19,523)</b>

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

**MINNESOTA COMPUTERS FOR SCHOOLS  
DBA MINNESOTA TECH FOR SUCCESS**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2021**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
Salaries, payroll taxes and benefits	\$ 760,019	\$ 186,624	\$ 90,003	\$ 1,036,646
Computer components and equipment	45,468	1,154	323	46,945
Rent and utilities	194,885	42,679	18,660	256,224
Insurance	4,846	1,474	935	7,255
Marketing - general	212	-	17,157	17,369
Marketing - annual event	119	-	688	807
Marketing - grant writing	-	-	83,903	83,903
Supplies	17,335	2,256	337	19,928
Printing and reproduction	-	864	-	864
Postage	-	230	79	309
Professional fees / contract services	87,542	11,877	2,792	102,211
Repairs and maintenance	2,338	68	3	2,409
Transportation	14,564	203	10,117	24,884
Travel, meals and entertainment	2,530	937	569	4,036
Small tools, equipment and supplies	5,870	258	27	6,155
Salvage disposal	2,301	-	-	2,301
Depreciation	17,760	-	-	17,760
Miscellaneous	14,158	18,597	5,664	38,419
<b><i>Total functional expenses</i></b>	<b>\$ 1,169,947</b>	<b>\$ 267,221</b>	<b>\$ 231,257</b>	<b>\$ 1,668,425</b>
Percent of total expenses	70%	16%	14%	100%

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

**MINNESOTA COMPUTERS FOR SCHOOLS  
DBA MINNESOTA TECH FOR SUCCESS**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2020**

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising and Grant Solicitation</b>	<b>Total</b>
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 and utilities	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
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 tool & equipment expense	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
<b><i>Total functional expenses</i></b>	<b>\$ 1,114,050</b>	<b>\$ 141,370</b>	<b>\$ 167,344</b>	<b>\$ 1,422,764</b>
Percent of total expenses	78%	10%	12%	100%

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

**MINNESOTA COMPUTERS FOR SCHOOLS  
DBA MINNESOTA TECH FOR SUCCESS**

**STATEMENTS OF CASH FLOWS**

<b>YEARS ENDED DECEMBER 31,</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 143,960	\$ 44,284
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,760	11,709
Changes in assets and liabilities:		
Grants and accounts receivable	(48,006)	(12,167)
Inventory - materials	3,131	(1,373)
Prepaid expenses	(10,879)	(21,721)
Accounts payable	8,353	(43,317)
Accrued payroll and taxes	10,853	5,982
Accrued vacation pay	(2,705)	(10,283)
Deferred income	-	(822)
Warranty liability	-	(6,400)
<i>Net cash provided (used) by operating activities</i>	<b>122,467</b>	<b>(34,108)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(97,962)	(12,993)
<i>Net cash used in investing activities</i>	<b>(97,962)</b>	<b>(12,993)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	400,400
Payments on notes payable	-	(122,284)
<i>Net cash provided by financing activities</i>	<b>-</b>	<b>278,116</b>
<i>Increase in cash and cash equivalents</i>	<b>24,505</b>	<b>231,015</b>
Cash and cash equivalents, beginning of year	245,909	14,894
<i>Cash and cash equivalents, end of year</i>	<b>\$ 270,414</b>	<b>\$ 245,909</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 15,544	\$ 4,712

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

**MINNESOTA COMPUTERS FOR SCHOOLS  
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**NOTES TO FINANCIAL STATEMENTS**

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

***Organization:***

Minnesota Computers for Schools DBA Minnesota Tech for Success (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. 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 DBA Minnesota Tech for Success 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.

**MINNESOTA COMPUTERS FOR SCHOOLS  
DBA MINNESOTA TECH FOR SUCCESS**

**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 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, contributions 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, 2021 and 2020, 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, grants and contributions receivable at December 31, 2021 and 2020 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, 2021 and 2020. Shipping and handling costs are expensed as incurred.

**MINNESOTA COMPUTERS FOR SCHOOLS  
DBA MINNESOTA TECH FOR SUCCESS**

**NOTES TO FINANCIAL STATEMENTS**

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**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:***

The Organization accounts for contributions under *ASC 958-605, Not-for-Profit Entities—Revenue Recognition*. The standard 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.

***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.

**MINNESOTA COMPUTERS FOR SCHOOLS  
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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

*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, 2021 and 2020.

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 for the first draw occurred in November 2020 and therefore is recognized in 2020. The forgiveness for the second draw occurred in July 2021 and therefore is recognized in 2021.

The Organization has been awarded conditional contributions related to cost-reimbursable grants of \$39,001 and \$103,676 that have not been recognized at December 31, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred. In 2021 and 2020, the Organization was approved for grants from the State of Minnesota for \$50,000 and \$125,000, respectively.

*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  
DBA MINNESOTA TECH FOR SUCCESS**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

***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.

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 retrospective 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.

***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.

**MINNESOTA COMPUTERS FOR SCHOOLS  
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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

***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, 2021 and 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 DBA Minnesota Tech for Success 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 DBA Minnesota Tech for Success 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 2021 and 2020, the accompanying financial statements do not include any provision for federal or state income taxes.

**MINNESOTA COMPUTERS FOR SCHOOLS  
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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. (CONTINUED)**

The Organization's filings with the Internal Revenue Service are subject to audit. The information returns for the past three 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 \$17,369 and \$7,000 for the years ended December 31, 2021 and 2020, respectively.

***Subsequent events:***

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through June 21, 2022, the date the financial statements were available to be issued.

**NOTE 2. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following amounts:

<b>YEARS ENDED DECEMBER 31,</b>	<b>2021</b>	<b>2020</b>
Furniture and equipment	\$ 101,732	\$ 87,237
Leasehold improvements	5,700	5,700
Software	203,513	120,046
Total cost	<u>310,945</u>	<u>212,983</u>
Less: accumulated depreciation	(130,284)	(112,524)
<b><i>Total</i></b>	<b><u>\$ 180,661</u></b>	<b><u>\$ 100,459</u></b>

Depreciation expense of \$17,760 and \$11,709 was recorded for the years ended December 31, 2021 and 2020, respectively.

**MINNESOTA COMPUTERS FOR SCHOOLS  
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**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.

On January 20, 2021, the Organization received a second draw of loan proceeds (considered a refundable advance) in the amount of \$148,730 under the PPP. The Organization received forgiveness for the entirety of the loan in July 2021.

**NOTE 4. NOTES PAYABLE**

Notes payable consists of the following:

<b>DECEMBER 31,</b>	<b>2021</b>	<b>2020</b>
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	\$ 400,400
Less current maturities	(9,567)	-
<b><i>Notes payable, less current maturities</i></b>	<b>\$ 390,833</b>	<b>\$ 400,400</b>

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

<b>YEARS ENDING DECEMBER 31,</b>	
2022	\$ 9,567
2023	9,833
2024	10,107
2025	10,389
Thereafter	360,504
<b><i>Total</i></b>	<b>\$ 400,400</b>

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

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

<b>DECEMBER 31,</b>	<b>2021</b>	<b>2020</b>
<b>Restricted by Purpose:</b>		
Core IT fund	\$ 90,000	\$ 5,000
Internship fund	35,387	-
Truck lease	28,687	7,207
Lifelong learners	-	15,902
Distance learning	-	15,000
<b>Restricted by Time:</b>		
Hardenbergh Foundation	-	5,000
<b>Total</b>	<b>\$ 154,074</b>	<b>\$ 48,109</b>

**NOTE 6. NON-CASH CONTRIBUTIONS**

Non-cash contributions are as follows:

<b>YEARS ENDED DECEMBER 31,</b>	<b>2021</b>	<b>2020</b>
Transportation	\$ -	\$ 1,103
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,103</b>

**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:

<b>YEARS ENDING DECEMBER 31,</b>	
2022	\$ 140,886
2023	144,468
2024	24,675
<b>Total minimum lease payments</b>	<b>\$ 310,029</b>

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**NOTE 7. (CONTINUED)**

Rental expense for this lease amounted to \$222,111 and \$220,441 for the years ended December 31, 2021 and 2020, 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 \$1,744 and \$3,487 for the years ended December 31, 2021 and 2020, 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. 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:

<b>DECEMBER 31,</b>	<b>2021</b>	<b>2020</b>
Financial assets *	\$ 375,773	\$ 303,262
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	(154,074)	(48,109)
Financial assets available to meet cash needs for general expenditures within one year	\$ 221,699	\$ 255,153

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

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**NOTE 10. 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.