



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

FINANCIAL STATEMENTS

DECEMBER 31, 2016

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	5
Statements of cash flows	7
Notes to financial statements	8

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Minnesota Computers for Schools
Bayport, Minnesota

We have audited the accompanying financial statements of Minnesota Computers for Schools (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boyum + Barenscheer PLLP

Boyum & Barenscheer PLLP
Minneapolis, Minnesota
May 16, 2017

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 277,477	\$ 532,912
Grants and accounts receivable	231,291	122,461
Inventory - materials	1,667	4,568
Prepaid expenses	23,866	22,717
	534,301	682,658
PROPERTY AND EQUIPMENT, at cost		
Software	69,917	66,294
Leasehold improvement	7,404	7,404
Furniture and equipment	66,776	63,921
	144,097	137,619
Less accumulated depreciation	104,410	90,388
	39,687	47,231
	573,988	729,889
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,154	\$ 16,825
Accrued payroll and payroll taxes	11,726	19,912
Accrued vacation pay	18,449	14,414
Deferred income (see Note 1)	183,700	16,850
Warranty liability	9,000	25,000
	244,029	93,001
NET ASSETS		
Unrestricted net assets	198,942	479,883
Temporarily restricted net assets	131,017	157,005
	329,959	636,888
	573,988	729,889

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND OTHER INCOME			
Contributions and grants	\$ 109,381	\$ 50,000	\$ 159,381
Contributed services and use of facilities	513,076	-	513,076
Computer sales	816,548	-	816,548
Interest income	338	-	338
Event revenues, net of costs that directly benefited donors of \$11,949	32,991	-	32,991
Net assets released from restriction	75,988	(75,988)	-
<i>Total revenues, support and other income</i>	1,548,322	(25,988)	1,522,334
EXPENSES			
Program services	1,505,972	-	1,505,972
Supporting activities:			
General and administrative	130,187	-	130,187
Fundraising and grant solicitation	193,104	-	193,104
<i>Total expenses</i>	1,829,263	-	1,829,263
<i>Increase (decrease) in net assets</i>	(280,941)	(25,988)	(306,929)
Net assets, beginning of year	479,883	157,005	636,888
<i>Net assets, end of year</i>	\$ 198,942	\$ 131,017	\$ 329,959

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND OTHER INCOME			
Contributions and grants	\$ 142,268	\$ 153,997	296,265
Contributed services and use of facilities	477,201	-	477,201
Computer sales	945,715	-	945,715
Interest income	520	-	520
Event revenues	44,940	-	44,940
Net assets released from restriction	21,569	(21,569)	-
<i>Total revenues, support and other income</i>	1,632,213	132,428	1,764,641
EXPENSES			
Program services	1,431,693	-	1,431,693
Supporting activities:			
General and administrative	247,759	-	247,759
Fundraising and grant solicitation	108,733	-	108,733
<i>Total expenses</i>	1,788,185	-	1,788,185
<i>Decrease in net assets</i>	(155,972)	132,428	(23,544)
Net assets, beginning of year	635,855	24,577	660,432
<i>Net assets, end of year</i>	\$ 479,883	\$ 157,005	\$ 636,888

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program	General and Administrative	Fundraising and Grant Solicitation	Total
Salaries, payroll taxes and benefits	\$ 996,193	\$ 68,528	\$ 91,371	\$ 1,156,092
Computer components and equipment	170,750	-	-	170,750
Rent, utilities and security	141,599	15,118	3,198	159,915
Insurance	1,794	7,178	-	8,972
Board of director expense	-	1,213	-	1,213
Marketing - general	14,123	4,035	2,018	20,176
Marketing - annual event	5,825	-	5,826	11,651
Marketing - grant writing	-	-	90,691	90,691
Office supplies	11,035	2,759	-	13,794
Printing and reproduction	271	-	-	271
Postage	142	572	-	714
Professional fees / contract services	98,657	24,664	-	123,321
Repairs and maintenance	328	-	-	328
Transportation	26,139	-	-	26,139
Travel, meals and entertainment	14,843	3,711	-	18,554
Small tool & equipment expense	7,176	-	-	7,176
Salvage disposal	460	-	-	460
Depreciation	14,149	-	-	14,149
Warranty expense	(7,149)	-	-	(7,149)
Miscellaneous	9,637	2,409	-	12,046
<i>Total functional expenses</i>	\$ 1,505,972	\$ 130,187	\$ 193,104	\$ 1,829,263

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

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

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

MINNESOTA COMPUTERS FOR SCHOOLS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (306,929)	\$ (23,544)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,149	16,023
Changes in assets and liabilities:		
Grants and accounts receivable	(108,830)	(65,420)
Inventory - materials	2,901	12,725
Prepaid expenses	(1,149)	(9,740)
Accounts payable	4,329	(2,801)
Accrued payroll and payroll taxes	(8,186)	(4,988)
Accrued vacation pay	4,035	(1,945)
Deferred income	166,850	13,550
Warranty liability	(16,000)	5,000
	(248,830)	(61,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(6,605)	(22,172)
	(6,605)	(22,172)
	(255,435)	(83,312)
Cash and cash equivalents, beginning of year	532,912	616,224
	\$ 277,477	\$ 532,912

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 work collaboratively with schools and educationally focused community organizations to provide technology solutions and skills training to individuals in need. The program involves inmates of a local prison refurbishing computers that are donated by local corporations and government agencies. These computers are then sold at discounted prices or gifted to schools, teachers, not-for-profit organizations and disadvantaged youth throughout Minnesota. The Organization continues to expand its Workforce Development Program, which brings technology access and job skills to disadvantaged youth at Guadalupe Alternative Programs (GAP School), Washington Tech Magnet School, Humboldt School, Emerge (ECTC), and Promise Neighborhood. The program teaches students basic computer skills and computer recycling and refurbishing skills.

The majority of the computers are donated by corporations and government agencies in the Minnesota Twin Cities area. During 2015, one government agency donated approximately 37% of the computers. There was no such concentration of computer donors in 2016. Contributions and grants to the Organization come primarily from foundations in the Minnesota Twin Cities area.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *FASB ASC 958*. Under *FASB ASC 958, Financial Statements of Not-for-Profit Organizations*, Minnesota Computers for Schools is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor restrictions. As of December 31, 2016 and 2015, there were no permanently restricted net assets.

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, 2018 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 and anticipates the new guidance will not have a material impact on its financial statements.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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, 2019 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 and anticipates the new guidance will not have a material impact on its financial statements.

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958), which provides guidance for presentation of financial statements of not-for-profit entities. The new guidance requires not-for-profits to include a number of changes in their financial presentation including presenting two classes of net assets, enhanced disclosures on board designations, management of liquid resources for cash flows, and present expenses by their natural and functional classification. The ASU will be effective for financial statements for fiscal years beginning after December 15, 2017, and for interim financial statements for periods after that date with early adoption permitted. The amendments in this update should be applied on a retrospective basis. However, if presenting comparative financial statements, the NFP has the option to omit the following information for any periods presented before the period of adoption: analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will significantly impact its financial statements.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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, 2016 and 2015, no allowance for bad debt was considered necessary. It is the Organization's policy to charge off uncollectible receivables when management determines that a receivable will not be collected.

Promises to give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There were \$0 and \$82,800 promises to give outstanding as of December 31, 2016 and 2015, respectively. All promises to give outstanding as of December 31, 2015 were 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, 2016 and 2015. 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 unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment purchases are recorded at acquisition cost. Improvements and betterments exceeding \$1,000 are capitalized, while repairs and maintenance expenditures are expensed in the Statement of Activities.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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.

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. Contract revenues from government grants that are considered exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Specifically for 2016, the Organization was approved for a grant from the State of Minnesota in late 2016 for \$180,000. The grant has been included in receivables and deferred revenue as of December 31, 2016.

Warranty arrangements:

The Organization's products generally carry explicit warranties that extend three years, based on terms that are generally accepted in the marketplace. Selected components included in the Organization's end products (such as LCD's and other components) may include manufacturers' warranties. These manufacturers' warranties are generally passed on to the end customer of the Organization's products and the customers would deal directly with the component manufacturer.

The amount of warranty liability accrued reflects management's best estimate of the cost of honoring the Organization's obligations under the warranty plans. The cost of fulfilling the Organization's warranty obligations has principally involved replacement parts and labor. The Organization's estimates are based on staff labor attributed to time spent on repair and/or replacement of product.

Non-cash donations of facilities, merchandise and services:

Non-cash donations of facilities, merchandise and services are recorded as contributions at their estimated fair market value at the date of donation.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received.

In addition, individuals volunteer their time, performing a variety of tasks that assist the Organization with its program, administration, grant solicitation and fundraising. This volunteer time does not meet the above definition of donated services that need to be recorded. The Organization does not keep track of the hours donated.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Sales:

Sales of refurbished computers are recorded when shipped.

Functional allocation of expenses:

The costs of providing the Organization's program and supporting activities have been presented on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income taxes:

Minnesota Computers for Schools is exempt from federal and Minnesota taxation pursuant to the provisions of Section 501(c) (3) of the Internal Revenue Code and Section 290.05 of the Minnesota Statutes and is only subject to federal and state income taxes on net unrelated business income. Since the Organization had no unrelated business taxable income in 2016 and 2015, the accompanying financial statements do not include any provision for federal or state income taxes.

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.

Reclassifications:

Certain reclassifications have been made to the 2015 financial statements to conform to the presentation in the 2016 financial statements.

NOTE 2. NON-CASH CONTRIBUTIONS

Non-cash contributions are as follows:

YEARS ENDED DECEMBER 31,	2016	2015
Rent, utilities and security - Dept. of Corrections	\$ 138,432	\$ 138,432
Salaries, payroll taxes, and benefits of inmates - Dept. of Corrections	361,876	319,065
Transportation - Dept. of Corrections	9,756	9,756
Event in kind donated items - various donors	-	9,948
Office supplies	3,012	-
<i>Total</i>	\$ 513,076	\$ 477,201

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

DECEMBER 31,	2016	2015
Richard M Schultze Family Foundation for workforce development	\$ 9,680	\$ -
Community Action Partnership of Subaru for workforce development	15,000	-
Pentair Foundation for student sponsorship	5,000	-
Hardenbergh Foundation for workforce development	4,273	-
Boston Scientific for workforce development	10,000	-
Archie & Bertha Walker for workforce development	-	260
Fred and Katherine Anderson for program development	-	11,061
Wells Fargo Foundation for workforce development	767	1,477
St. Croix Lions Club for St. Cloud Initiatives	200	200
Otto Bremer Foundation for workforce development	57,396	100,000
Morgan Foundation for St. Cloud Initiatives	26,715	33,007
Accenture for workforce development	1,986	10,000
Elmer L & Eleanor Andersen for workforce development	-	1,000
<i>Total</i>	\$ 131,017	\$ 157,005

NOTE 4. LEASE COMMITMENT

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

YEARS ENDING DECEMBER 31,		
2017	\$	10,099
<i>Total minimum lease payments</i>	\$	10,099

Rental expense for this lease amounted to \$11,017 for each of the years ended December 31, 2016 and 2015.

The Organization also holds two month-to-month leases for space rental for meetings and programs. Rent expense charged to operations under these leases amounted to \$9,668 and \$2,000 for the years ended December 31, 2016 and 2015, respectively.

MINNESOTA COMPUTERS FOR SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 5. GRANT CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although that is a possibility, management deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grant.

NOTE 6. SALARY REDUCTION RETIREMENT PLAN

Minnesota Computers for Schools has a Salary Reduction Retirement Plan that is qualified under Section 403(b)(7) of the Internal Revenue Code. All employees of the Organization are eligible to participate in the plan. There are no employer contributions.

NOTE 7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 16, 2017, the date which the financial statements were available to be issued.