

# MIGIZI Communications, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019



**WIPFLI**

## Independent Auditor's Report

Board of Directors  
MIGIZI Communications, Inc.  
Minneapolis, Minnesota

We have audited the accompanying financial statements of MIGIZI Communications, Inc., (the "Company"), 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; 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. 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 MIGIZI Communications, Inc. 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.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

Minneapolis, Minnesota  
July 21, 2021

# MIGIZI Communications, Inc.

## Statements of Financial Position

December 31, 2020 and 2019

| Assets                                    | 2020                | 2019                |
|---|---------------------|---------------------|
| Current assets:                           |                     |                     |
| Cash and cash equivalents                 | \$ 4,216,017        | \$ 944,879          |
| Certificates of deposit                   | 78,320              | 77,785              |
| Accounts receivable                       | 1,490               | 492                 |
| Pledges receivable                        | 93,862              | 2,819               |
| Grants receivable                         | 239,680             | 277,965             |
| Insurance claims receivable               | 215,742             | -                   |
| Prepaid expenses                          | 46,417              | 59,803              |
| <b>Total current assets</b>               | <b>4,891,528</b>    | <b>1,363,743</b>    |
| Other assets                              | 41,362              | 44,810              |
| Property and equipment - Net              | 132,020             | 1,565,826           |
| <b>TOTAL ASSETS</b>                       | <b>\$ 5,064,910</b> | <b>\$ 2,974,379</b> |
| Liabilities and Net Assets                | 2020                | 2019                |
| Current liabilities:                      |                     |                     |
| Current maturities of long-term debt      | \$ -                | \$ 24,706           |
| Paycheck Protection Program loan          | 125,100             | -                   |
| Accounts payable                          | 25,366              | 19,927              |
| Accrued payroll                           | 37,617              | 26,046              |
| Accrued interest                          | -                   | 4,260               |
| <b>Total current liabilities</b>          | <b>188,083</b>      | <b>74,939</b>       |
| Long-term debt, net of current maturities | -                   | 628,128             |
| <b>Total liabilities</b>                  | <b>188,083</b>      | <b>703,067</b>      |
| Net assets:                               |                     |                     |
| Without donor restrictions                | 4,497,827           | 1,818,312           |
| With donor restrictions                   | 379,000             | 453,000             |
| <b>Total net assets</b>                   | <b>4,876,827</b>    | <b>2,271,312</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b>\$ 5,064,910</b> | <b>\$ 2,974,379</b> |

See accompanying notes to financial statements.

# MIGIZI Communications, Inc.

## Statements of Activities

Years Ended December 31, 2020 and 2019

|  | 2020                          |                            |                     | 2019                          |                            |                     |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| Support and revenue:                       |                               |                            |                     |                               |                            |                     |
| Contributions                              | \$ 2,134,302                  | \$ 279,000                 | \$ 2,413,302        | \$ 21,336                     | \$ 373,000                 | \$ 394,336          |
| Government grants                          | 813,198                       | -                          | 813,198             | 997,403                       | -                          | 997,403             |
| Program service fees                       | 54,605                        | -                          | 54,605              | 77,333                        | -                          | 77,333              |
| Investment income                          | 7,328                         | -                          | 7,328               | 16,472                        | -                          | 16,472              |
| Other income                               | 8,062                         | -                          | 8,062               | 12,314                        | -                          | 12,314              |
| Loss on disposal of property and equipment | -                             | -                          | -                   | (4,566)                       | -                          | (4,566)             |
| Gain from insurance claims                 | 429,118                       | -                          | 429,118             | -                             | -                          | -                   |
| Net assets released from restrictions      | 353,000                       | (353,000)                  | -                   | 880,062                       | (880,062)                  | -                   |
| <b>Total support and revenue</b>           | <b>3,799,613</b>              | <b>(74,000)</b>            | <b>3,725,613</b>    | <b>2,000,354</b>              | <b>(507,062)</b>           | <b>1,493,292</b>    |
| Expenses:                                  |                               |                            |                     |                               |                            |                     |
| Program services                           | 832,828                       | -                          | 832,828             | 1,084,926                     | -                          | 1,084,926           |
| Management and general                     | 214,065                       | -                          | 214,065             | 115,035                       | -                          | 115,035             |
| Fundraising                                | 73,205                        | -                          | 73,205              | 16,149                        | -                          | 16,149              |
| <b>Total expenses</b>                      | <b>1,120,098</b>              | <b>-</b>                   | <b>1,120,098</b>    | <b>1,216,110</b>              | <b>-</b>                   | <b>1,216,110</b>    |
| Change in net assets                       | 2,679,515                     | (74,000)                   | 2,605,515           | 784,244                       | (507,062)                  | 277,182             |
| Net assets at beginning                    | 1,818,312                     | 453,000                    | 2,271,312           | 1,034,068                     | 960,062                    | 1,994,130           |
| <b>Net assets at end</b>                   | <b>\$ 4,497,827</b>           | <b>\$ 379,000</b>          | <b>\$ 4,876,827</b> | <b>\$ 1,818,312</b>           | <b>\$ 453,000</b>          | <b>\$ 2,271,312</b> |

See accompanying notes to financial statements.

# MIGIZI Communications, Inc.

## Statements of Functional Expenses

Years Ended December 31, 2020 and 2019

|                              | Program Services             |                           |                                      |                                |                          | Support Services             |                         |                  | 2020<br>Total     |                              |
|------------------------------|------------------------------|---------------------------|--------------------------------------|--------------------------------|--------------------------|------------------------------|-------------------------|------------------|-------------------|------------------------------|
|                              | Native<br>Academy/<br>I Lead | Native<br>Youth<br>Future | Education<br>Equity<br>Collaborative | First<br>Person<br>Productions | Green<br>Jobs<br>Pathway | Total<br>Program<br>Services | Management<br>& General | Fundraising      |                   | Total<br>Support<br>Services |
| Salaries                     | \$ 65,859                    | \$ -                      | \$ -                                 | \$ 307,909                     | \$ 36,677                | \$ 410,445                   | \$ 72,038               | \$ 34,449        | \$ 106,487        | \$ 516,932                   |
| Payroll taxes                | 5,216                        | -                         | -                                    | 28,531                         | 3,369                    | 37,116                       | 6,396                   | 3,085            | 9,481             | 46,597                       |
| Employee benefits            | 7,753                        | -                         | -                                    | 31,275                         | 4,509                    | 43,537                       | 7,519                   | 3,312            | 10,831            | 54,368                       |
| <b>Total personnel costs</b> | <b>78,828</b>                | <b>-</b>                  | <b>-</b>                             | <b>367,715</b>                 | <b>44,555</b>            | <b>491,098</b>               | <b>85,953</b>           | <b>40,846</b>    | <b>126,799</b>    | <b>617,897</b>               |
| Travel and training          | 1,357                        | -                         | -                                    | 6,969                          | 1,142                    | 9,468                        | 1,228                   | 30               | 1,258             | 10,726                       |
| Contract services            | 7,503                        | -                         | -                                    | 94,961                         | 15,459                   | 117,923                      | 103,393                 | 14,382           | 117,775           | 235,698                      |
| Supplies                     | 16,157                       | -                         | -                                    | 38,632                         | 15,000                   | 69,789                       | 4,945                   | 292              | 5,237             | 75,026                       |
| Office costs                 | 1,035                        | -                         | -                                    | 4,314                          | 167                      | 5,516                        | 1,209                   | 8,909            | 10,118            | 15,634                       |
| Occupancy                    | (4,865)                      | -                         | -                                    | 38,570                         | 4,004                    | 37,709                       | 9,804                   | -                | 9,804             | 47,513                       |
| Interest                     | 5,615                        | -                         | 702                                  | 10,480                         | -                        | 16,797                       | 2,106                   | -                | 2,106             | 18,903                       |
| Student activities           | 206                          | -                         | -                                    | 50,135                         | 11,467                   | 61,808                       | -                       | -                | -                 | 61,808                       |
| Miscellaneous                | 1,980                        | -                         | -                                    | 650                            | -                        | 2,630                        | 1,882                   | 8,746            | 10,628            | 13,258                       |
| Depreciation                 | 9,454                        | -                         | 1,182                                | 9,454                          | -                        | 20,090                       | 3,545                   | -                | 3,545             | 23,635                       |
| <b>Total expenses</b>        | <b>\$ 117,270</b>            | <b>\$ -</b>               | <b>\$ 1,884</b>                      | <b>\$ 621,880</b>              | <b>\$ 91,794</b>         | <b>\$ 832,828</b>            | <b>\$ 214,065</b>       | <b>\$ 73,205</b> | <b>\$ 287,270</b> | <b>\$ 1,120,098</b>          |

See accompanying notes to financial statements.

# MIGIZI Communications, Inc.

## Statements of Functional Expenses

Years Ended December 31, 2020 and 2019

|                              | Program Services             |                           |                                      |                                |                          | Support Services             |                         |                  | 2019<br>Total     |                              |
|------------------------------|------------------------------|---------------------------|--------------------------------------|--------------------------------|--------------------------|------------------------------|-------------------------|------------------|-------------------|------------------------------|
|                              | Native<br>Academy/<br>I Lead | Native<br>Youth<br>Future | Education<br>Equity<br>Collaborative | First<br>Person<br>Productions | Green<br>Jobs<br>Pathway | Total<br>Program<br>Services | Management<br>& General | Fundraising      |                   | Total<br>Support<br>Services |
| Salaries                     | \$ 75,583                    | \$ 82,877                 | \$ -                                 | \$ 313,678                     | \$ 40,263                | \$ 512,401                   | \$ 15,312               | \$ 10,330        | \$ 25,642         | \$ 538,043                   |
| Payroll taxes                | 6,978                        | 8,162                     | 24                                   | 31,342                         | 3,868                    | 50,374                       | 1,715                   | 1,006            | 2,721             | 53,095                       |
| Employee benefits            | 10,431                       | 14,125                    | 45                                   | 49,404                         | 6,086                    | 80,091                       | 9,274                   | 1,354            | 10,628            | 90,719                       |
| <b>Total personnel costs</b> | <b>92,992</b>                | <b>105,164</b>            | <b>69</b>                            | <b>394,424</b>                 | <b>50,217</b>            | <b>642,866</b>               | <b>26,301</b>           | <b>12,690</b>    | <b>38,991</b>     | <b>681,857</b>               |
| Travel and training          | 3,528                        | 66                        | -                                    | 38,947                         | 1,098                    | 43,639                       | 6,663                   | 19               | 6,682             | 50,321                       |
| Contract services            | 4,160                        | 6,336                     | -                                    | 46,288                         | 9,031                    | 65,815                       | 61,361                  | 2,725            | 64,086            | 129,901                      |
| Supplies                     | -                            | -                         | -                                    | 13,776                         | 11,004                   | 24,780                       | -                       | -                | -                 | 24,780                       |
| Office costs                 | 1,991                        | 25                        | -                                    | 13,846                         | 209                      | 16,071                       | 2,020                   | -                | 2,020             | 18,091                       |
| Occupancy                    | -                            | 2,767                     | -                                    | 58,864                         | 8,276                    | 69,907                       | 4,536                   | -                | 4,536             | 74,443                       |
| Interest                     | 10,848                       | -                         | 1,356                                | 10,848                         | 3,427                    | 26,479                       | -                       | -                | -                 | 26,479                       |
| Student activities           | 9,651                        | 59,979                    | -                                    | 92,138                         | 7,509                    | 169,277                      | 22                      | -                | 22                | 169,299                      |
| Miscellaneous                | 1,782                        | -                         | -                                    | 2,782                          | -                        | 4,564                        | 7,297                   | 715              | 8,012             | 12,576                       |
| Depreciation                 | 8,765                        | -                         | 1,418                                | 11,345                         | -                        | 21,528                       | 6,835                   | -                | 6,835             | 28,363                       |
| <b>Total expenses</b>        | <b>\$ 133,717</b>            | <b>\$ 174,337</b>         | <b>\$ 2,843</b>                      | <b>\$ 683,258</b>              | <b>\$ 90,771</b>         | <b>\$ 1,084,926</b>          | <b>\$ 115,035</b>       | <b>\$ 16,149</b> | <b>\$ 131,184</b> | <b>\$ 1,216,110</b>          |

See accompanying notes to financial statements.

# MIGIZI Communications, Inc.

## Statements of Cash Flows

Years Ended December 31, 2020 and 2019

|   | 2020                | 2019              |
|---|---------------------|-------------------|
| Increase (decrease) in cash and cash equivalents:   |                     |                   |
| Cash flows from operating activities:   |                     |                   |
| Change in net assets  | \$ 2,605,515        | \$ 277,182        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                   |
| Depreciation expense  | 23,635              | 28,363            |
| Insurance claims  | (2,020,159)         |                   |
| Demolition costs  | 150,850             |                   |
| Loss on disposal of property and equipment  | 1,440,191           | 4,566             |
| Changes in operating assets and liabilities:  |                     |                   |
| Accounts receivable   | (92,041)            | 11,288            |
| Grants receivable   | 38,285              | (79,072)          |
| Prepaid expenses  | 13,386              | (12,407)          |
| Accounts payable  | 5,439               | 8,650             |
| Accrued liabilities   | 7,311               | 23,088            |
| Fiscal agent funds held for others  | -                   | (316)             |
| Funds held for individual development accounts (IDA)  | -                   | (64,476)          |
| <b>Net cash provided by operating activities</b>  | <b>2,172,412</b>    | <b>196,866</b>    |
| Cash flows from investing activities:   |                     |                   |
| Purchases of property and equipment   | (30,021)            | (745,807)         |
| Proceeds from insurance claims  | 1,804,418           | -                 |
| Demolition costs  | (150,850)           | -                 |
| Purchases of certificates of deposit  | (535)               | (1,308)           |
| Purchase of cash surrender value of life insurance policy                                   | 3,448               | (2,857)           |
| <b>Net cash provided by (used in) investing activities</b>                                  | <b>1,626,460</b>    | <b>(749,972)</b>  |
| Cash flows from financing activities:   |                     |                   |
| Proceeds from Paycheck Protection Program loan  | 125,100             | -                 |
| Payments of notes payable   | (652,834)           | (7,166)           |
| <b>Net cash used in financing activities</b>  | <b>(527,734)</b>    | <b>(7,166)</b>    |
| <b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>                | <b>3,271,138</b>    | <b>(560,272)</b>  |
| Cash and cash equivalents at beginning of year  | 944,879             | 1,505,151         |
| <b>Cash and cash equivalents at end of year</b>   | <b>\$ 4,216,017</b> | <b>\$ 944,879</b> |
| Schedule of other cash activity:  |                     |                   |
| Cash paid for interest  | \$ 18,903           | \$ 26,860         |

See accompanying notes to financial statements.

# MIGIZI Communications, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

The principal purpose of MIGIZI Communications, Inc. (the "Company" or "MIGIZI") is to engage in the planning, development, implementation, and evaluation of programs in the fields of communications and educational/literacy activities. This enhances the capacity of the American Indian community to meet the needs of its people. MIGIZI sponsors initiatives or programs as follows:

Native Academy/I Lead - This program prepares Native middle and secondary students for high school graduation and post-secondary education through academic support in rigorous STEM (science, technology, engineering and mathematics) subject areas. The program works in close partnership with the Minneapolis Public Schools and provides summer, in-school, and after-school components.

Native Youth Future - This program prepares youth to become financially independent. Eligible youth will save part of their earned income for post-secondary education. MIGIZI will match those savings 8:1 to multiply funds available for education. This program ended in 2019.

Education Equity Collaborative - This program works with emerging leaders from American Indian and other cultural communities in the Twin Cities. The goal of the program is to provide individual and cultural group leadership development, and community organizing and mobilization around issues of teaching and learning.

First Person Productions - This is a trademark of MIGIZI that encompasses the production and distribution of Indian content via print, broadcast, and internet mediums. National Native Information Center (NNIC) was the first enterprise developed by MIGIZI under this trademark. Also included is the activity for Native Youth Futures - *financially independent*, which is a teen asset building project that is designed to present permanent and sustainable solutions to intergenerational poverty and lack of economic opportunities. The Organization will recruit 150 low-income American Indian youth from across Minneapolis, ages 14-21, and will provide them with the asset-generating opportunities and support needed to prepare them to become financially-independent adults.

Green Jobs Pathway - This project provides Indian youth with the education, skills, and support necessary to prepare them for further training for jobs in Minnesota's growing green economy. This project targets high school students who are at risk of dropping out, youth who dropped out of high school prior to graduation, and older adults that possess a high school diploma or GED, but are not yet enrolled in post-secondary education or employed in career track jobs.

#### Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).



# MIGIZI Communications, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Basis of Presentation**

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where a donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

#### **Certificates of Deposit**

Certificates of deposit are carried at cost plus accrued interest, which approximates fair value.

#### **Accounts Receivable**

Accounts receivable consists primarily of amounts billed to customers. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history, third party contracts, customer attributes, and other circumstances. The Company considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded. If an account becomes uncollectible, it will be written off at that time.

# MIGIZI Communications, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Property and Equipment**

All acquisitions and improvements of property and equipment of \$5,000 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets.

The Organization reports gifts of property and equipment as gifts without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### **Revenue Recognition**

Contribution revenue - Contributions are recognized as revenue when cash, securities, or other assets; unconditional promises to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09, applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statements of activities for the years ending December 31, 2020 and 2019:

# MIGIZI Communications, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Revenue Recognition** (Continued)

Program service fees - The Organization provides Indian Education sessions to Minneapolis Public Schools throughout the entire school year. Customers sign a service contract and payments are typically made in two equal installments, one during the first half of the school year and one in second half. The performance obligation is providing customers with the agreed upon Indian Education sessions throughout the school year covered by the service contract. Revenues are recognized over time as the services are provided to the customers, which is over the duration of the school year. The Organization also enters into smaller miscellaneous service contracts for a variety of services. Customers sign a service contract and timing of payments vary from contract to contract. The performance obligation is providing customers with the agreed upon services for the period covered by the service contract. Revenues are recognized over time as the services are provided to the customers, which is over the duration of the service contract.

Other income - The Organization recognizes other income for miscellaneous rebates, sales, and other items on a non-routine basis. Revenue is recognized as payments are received.

#### **Grant Revenue**

Grants are recorded as contributions or exchange transactions based on criteria contained in the grant award.

- Grant Awards that are Contributions - Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.
- Grant Awards that are Exchange Transactions - Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

#### **Income Taxes**

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Company is classified as public charity. The Company is also exempt from state income tax.

The Company assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Company recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

# MIGIZI Communications, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses, where feasible, are recorded on a direct allocation basis. Expenses that are not able to be assigned directly to a program and function are allocated among the program and supporting service categories based on the estimated time expended by providers of professional and administrative services in those categories, or in the case of occupancy cost, the amount of space occupied by each function.

#### **Subsequent Events**

The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 21, 2021, which is the date the financial statements were available to be issued.

#### **New Accounting Pronouncements**

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the effects of this ASU on its financial statements.

### **Note 2: Liquidity and Availability of Financial Resources**

The following table reflects the Company's financial assets as of December 31, 2020, and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual or other restrictions. Amounts not available also include net assets with donor restrictions and contributions receivable in greater than one year, less the valuation allowance.

# MIGIZI Communications, Inc.

## Notes to Financial Statements

### Note 2: Liquidity and Availability of Financial Resources (Continued)

| <i>December 31,</i>                                   | 2020                | 2019                |
|---|---------------------|---------------------|
| Financial assets at year end                          |                     |                     |
| Cash and cash equivalents                             | \$ 4,216,017        | \$ 944,879          |
| Certificates of deposit                               | 78,320              | 77,785              |
| Accounts receivable - Net                             | 1,490               | 492                 |
| Pledges receivable                                    | 93,862              | 2,819               |
| Grants receivable                                     | 239,680             | 277,965             |
| Insurance claims receivable                           | 215,742             | -                   |
| <b>Total Financial Assets</b>                         | <b>4,629,369</b>    | <b>1,303,940</b>    |
| Less amounts not available to be used within one year |                     |                     |
| Net assets with donor restrictions                    | (49,000)            | (68,000)            |
| <b>Total</b>  | <b>\$ 4,580,369</b> | <b>\$ 1,235,940</b> |

The Company does not have a formal liquidity policy but generally maintains liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit.

### Note 3: Concentration of Credit Risk

The Company maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each institution. At certain times during the year, cash balances may be in excess of FDIC coverage. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

### Note 4: Other Assets

Other assets consist of the cash surrender value of a life insurance policy that the Organization owns and is the designated beneficiary. The balance in other assets was \$41,362 and \$44,810 as of December 31, 2020 and 2019, respectively.

# MIGIZI Communications, Inc.

## Notes to Financial Statements

### Note 5: Property and Equipment

A summary of property and equipment is as follows as of December 31:

|                                     | 2020       | 2019         |
|-------------------------------------|------------|--------------|
| Buildings and building improvements | \$ 132,020 | \$ 1,552,285 |
| Furniture and equipment             | 10,799     | 52,702       |
| Subtotal                            | 142,819    | 1,604,987    |
| Less - Accumulated depreciation     | (10,799)   | (39,161)     |
| Total                               | \$ 132,020 | \$ 1,565,826 |

A fire destroyed the building and most of the equipment in May 2020. As of December 31, 2020, the Company has recognized insurance claims of \$2,020,159 and property losses and demolition costs of \$1,591,042, for a net gain of \$429,118. The insurance claim is open as of the date of this report.

### Note 6: Paycheck Protection Program

As of December 31, 2020, the Company had an outstanding loan of \$125,100 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Under the terms of the original loan agreement, the loan bears interest at a rate of 1% with monthly payments of principal and interest commencing six months after funding and extending for a two-year term. If certain criteria are met, the Small Business Administration may forgive all or a portion of the loan.

Subsequent to executing the loan document, the Paycheck Protection Program Flexibility Act was signed into law which modified the terms of the PPP. Borrowers could elect a loan forgiveness covered period of either 8 or 24 weeks. The modification to the program also extended the deferral period for borrow payments of principal and interest to the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period (8 or 24 weeks).

While the Company believes based upon current information all or substantially all of the loan and accrued interest will be forgiven under the program, under generally accepted accounting principles, any forgiveness is not recognized until a formal forgiveness determination is made by the SBA. The Company has applied for full forgiveness of the loan and the application is currently pending.

# MIGIZI Communications, Inc.

## Notes to Financial Statements

### Note 7: Long-Term Liabilities

The Company has the following notes payable as of December 31:

|   | 2020 | 2019       |
|---|------|------------|
| Note payable at 4.5% interest, with 12 monthly payments of interest beginning July 8, 2018, then 59 payments of principal and interest of \$2,927 beginning July 8, 2019, and a single final payment of the entire unpaid principal and interest balance due on June 8, 2024. The note is secured by a mortgage on real property acquired with the proceeds of the note. The note was paid in full during 2020. | \$ - | \$ 452,834 |
| Unsecured note payable at 3% interest, with a principal only annual payment of \$6,000 due on June 22, 2019, and annual payments of \$10,000 plus interest through June 22, 2022, with a final payment of \$170,000 plus interest due on June 22, 2023. The note was paid in full during 2020.  | -    | 200,000    |
| Long-term debt  | -    | 652,834    |
| Less: Current Maturities  | -    | (24,706)   |
| Total   | \$ - | \$ 628,128 |

Interest expense during the years ended December 31, 2020 and 2019 was \$18,903 and \$26,479, respectively.

### Note 8: Net Assets with Donor Restriction

Net assets with donor restrictions were restricted for the following purposes or passage of time for the years ended December 31:

|   | 2020       | 2019       |
|---|------------|------------|
| Subject to expenditure for specific purpose                                       |            |            |
| Indigenous Pathways to Economic Self-Sufficiency                                  | \$ -       | \$ 18,000  |
| Green Jobs  | 25,000     | 30,000     |
| First Person Productions  | -          | 20,000     |
| MCTC Educational Support Aid  | 24,000     | -          |
| Subject to passage of time - Gifts from donors for programs in the following year | 330,000    | 385,000    |
| Total   | \$ 379,000 | \$ 453,000 |

# MIGIZI Communications, Inc.

## Notes to Financial Statements

### Note 8: Net Assets with Donor Restriction (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31:

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Satisfaction of purpose restrictions  |                   |                   |
| Capital Campaign  | \$ -              | \$ 630,000        |
| Sacred Visions  | -                 | 5,900             |
| IDA Funds Matching  | -                 | 2,602             |
| Scholarships  | -                 | 4,683             |
| Green Jobs  | 30,000            | 5,000             |
| First Person Productions  | 20,000            | 39,550            |
| Ohiyesa   | -                 | 20,000            |
| Northwest Area Foundation SIF program match                                       | -                 | 7,327             |
| Indigenous Pathways to Economic Self-Sufficiency                                  | 18,000            | -                 |
| Subject to passage of time - Gifts from donors for programs in the following year | 285,000           | 165,000           |
| <b>Total</b>  | <b>\$ 353,000</b> | <b>\$ 880,062</b> |

### Note 9: Operating Leases

The Organization did not have an office lease throughout the year, but due to a fire of their building they signed a new lease at the end of 2020 for an office starting January of 2021. The Company also leased a copy machine under a noncancelable operating lease, but ended in the current year due to the fire.

Future minimum payments, by year and in the aggregate, under the noncancelable operating lease with initial or remaining terms in excess of one year consist of the following as of December 31, 2020:

|              |           |               |
|--------------|-----------|---------------|
| 2021         | \$        | 28,014        |
| <b>Total</b> | <b>\$</b> | <b>28,014</b> |

Rent expense for the years ended December 31, 2020 and 2019, was \$3,430 and \$39,711, respectively.

### Note 10: Retirement Plan

The Company sponsors a defined contribution plan (the "Plan") covering all employees that meet eligibility requirements. The Company contributed \$6,394 and \$2,205 to the Plan for the years ended December 31, 2020 and 2019, respectively.



# MIGIZI Communications, Inc.

## Notes to Financial Statements

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### **Note 11: Concentration of Contributions or Grants**

For the year ended December 31, 2020, approximately 13% of the Company's funding was provided by three private donors and 14% by the U.S. Department of Health and Human Services.

For the year ended December 31, 2019, approximately 13% of the Company's funding was provided by one private donor and 55% by the U.S. Department of Health and Human Services.

### **Note 12: Risks and Uncertainties**

COVID-19 impacted various aspects of operations and the financial results of the Company for the year ended December 31, 2020. Management believes the Company has taken appropriate actions in response to the pandemic. However, the full impact of COVID-19 remains unknown and cannot be reasonably estimated at this time.

### **Note 13: Subsequent Events**

The Company received death benefits from its life insurance policy on a key employee in April 2021 for \$250,000.

The Company purchased a new building in June 2021 for \$560,000 and entered into an agreement to sell the land from the old building for \$175,000. In addition, the City of Minneapolis issued a citation for \$65,000 for the Company to remove the basement of the old building that was destroyed in the May 2020 fire, which was subsequently reimbursed by insurance proceeds.