

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSE</b>	<b>5</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Minnesota High Tech Association  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Minnesota High Tech Association (the Association), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of activities, functional expense 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.

### ***Auditors' 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 auditors' 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.

Board of Directors  
Minnesota High Tech Association

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota High Tech Association 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 16, 2017

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015**

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 545,674	\$ 707,966
Program Revenue Receivables, Net	77,812	58,855
Prepaid Expenses	28,284	32,848
Total Current Assets	651,770	799,669
<b>FIXED ASSETS</b>		
Equipment and Furniture	54,781	54,781
Leasehold Improvements	9,254	9,254
Website	176,005	165,005
Less: Accumulated Depreciation	(202,152)	(164,301)
Net Fixed Assets	37,888	64,739
<b>INTANGIBLE ASSETS</b>		
Goodwill	193,000	193,000
Other Intangible Assets, Net	500	2,500
Total Intangible Assets	193,500	195,500
Total Assets	\$ 883,158	\$ 1,059,908
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,928	\$ 23,023
Accrued Expenses	126,389	157,983
Current Portion of Capital Lease	3,395	5,552
Deferred Rent	1,043	3,129
Deferred Membership Dues	246,582	278,695
Other Deferred Revenue	42,935	68,100
Total Current Liabilities	422,272	536,482
<b>LONG-TERM LIABILITIES</b>		
Long-Term Portion of Capital Lease	-	3,395
Total Liabilities	422,272	539,877
<b>NET ASSETS</b>		
Unrestricted	460,886	520,031
Total Net Assets	460,886	520,031
Total Liabilities and Net Assets	\$ 883,158	\$ 1,059,908

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>UNRESTRICTED SUPPORT AND REVENUE</b>		
Membership Dues	\$ 614,228	\$ 658,367
Events and Programs	715,328	835,090
Grants	777,459	562,983
Interest	286	110
Miscellaneous	13,840	17,445
Total Unrestricted Support and Revenue	<u>2,121,141</u>	<u>2,073,995</u>
 <b>EXPENSE</b>		
Program Services:		
Communications	304,266	323,119
Programs and Events	<u>1,522,644</u>	<u>1,290,813</u>
Total Program Services	1,826,910	1,613,932
 Supporting Services:		
General Administration	143,240	134,289
Membership Development	<u>210,136</u>	<u>275,426</u>
Total Supporting Services	<u>353,376</u>	<u>409,715</u>
 Total Expense	<u>2,180,286</u>	<u>2,023,647</u>
 <b>CHANGE IN NET ASSETS</b>	(59,145)	50,348
 Net Assets – Beginning of Year	<u>520,031</u>	<u>469,683</u>
 <b>NET ASSETS – END OF YEAR</b>	<u>\$ 460,886</u>	<u>\$ 520,031</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
STATEMENT OF FUNCTIONAL EXPENSE  
YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016							2015 Total
	Program Services			Supporting Services				
	Communications	Programs and Events	Total Program Services	General Administration	Membership Development	Total Supporting Services	Total	
Salaries	\$ 155,043	\$ 360,030	\$ 515,073	\$ 85,953	\$ 126,092	\$ 212,045	\$ 727,118	\$ 736,819
Employee Benefits	23,340	54,198	77,538	12,939	18,982	31,921	109,459	121,768
Payroll Taxes	12,552	29,146	41,698	6,958	10,208	17,166	58,864	60,014
Total Salaries and Expenses	<u>190,935</u>	<u>443,374</u>	<u>634,309</u>	<u>105,850</u>	<u>155,282</u>	<u>261,132</u>	<u>895,441</u>	<u>918,601</u>
Bank Charges	3,543	8,227	11,770	1,964	2,881	4,845	16,615	13,880
Bad Debt	-	-	-	-	-	-	-	730
Consulting	46,000	-	46,000	-	-	-	46,000	46,000
Depreciation and Amortization	8,497	19,732	28,229	4,711	6,911	11,622	39,851	46,118
Dues and Subscriptions	1,002	2,326	3,328	555	815	1,370	4,698	9,957
Equipment Rental	1,309	3,041	4,350	726	1,065	1,791	6,141	6,671
Insurance	1,503	3,489	4,992	833	1,222	2,055	7,047	7,094
Programs and Events	-	922,650	922,650	-	-	-	922,650	779,735
Occupancy Expenses	11,735	27,250	38,985	6,506	9,544	16,050	55,035	44,915
Office Supplies	2,192	5,091	7,283	1,215	1,783	2,998	10,281	10,104
Postage and Delivery	7	285	292	68	100	168	460	656
Professional Fees	16,827	39,074	55,901	9,328	13,685	23,013	78,914	42,641
Public Relations	12,554	29,151	41,705	6,959	10,209	17,168	58,873	60,524
Telephone	4,625	10,740	15,365	2,564	3,762	6,326	21,691	21,964
Outreach and Meetings	3,537	8,214	11,751	1,961	2,877	4,838	16,589	14,057
Total Allocated Expenses	<u>113,331</u>	<u>1,079,270</u>	<u>1,192,601</u>	<u>37,390</u>	<u>54,854</u>	<u>92,244</u>	<u>1,284,845</u>	<u>1,105,046</u>
Total Functional Expenses	<u>\$ 304,266</u>	<u>\$ 1,522,644</u>	<u>\$ 1,826,910</u>	<u>\$ 143,240</u>	<u>\$ 210,136</u>	<u>\$ 353,376</u>	<u>\$ 2,180,286</u>	<u>\$ 2,023,647</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
STATEMENT OF FUNCTIONAL EXPENSE  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015								2014 Total
	Program Services			Supporting Services				Total	
	Communications	Programs and Events	Total Program Services	General Administration	Membership Development	Total Supporting Services			
Salaries	\$ 170,556	\$ 314,100	\$ 484,656	\$ 82,649	\$ 169,514	\$ 252,163	\$ 736,819	\$ 731,326	
Employee Benefits	28,186	51,909	80,095	13,659	28,014	41,673	121,768	103,807	
Payroll Taxes	13,892	25,583	39,475	6,732	13,807	20,539	60,014	58,912	
Total Salaries and Expenses	<u>212,634</u>	<u>391,592</u>	<u>604,226</u>	<u>103,040</u>	<u>211,335</u>	<u>314,375</u>	<u>918,601</u>	<u>894,045</u>	
Bank Charges	3,213	5,917	9,130	1,557	3,193	4,750	13,880	16,245	
Bad Debt	-	730	730	-	-	-	730	1,060	
Consulting	46,000	-	46,000	-	-	-	46,000	46,000	
Depreciation and Amortization	10,675	19,660	30,335	5,173	10,610	15,783	46,118	51,698	
Dues and Subscriptions	2,305	4,244	6,549	1,117	2,291	3,408	9,957	8,298	
Equipment Rental	1,544	2,844	4,388	748	1,535	2,283	6,671	5,703	
Insurance	1,642	3,024	4,666	796	1,632	2,428	7,094	8,709	
Programs and Events	-	779,735	779,735	-	-	-	779,735	730,965	
Occupancy Expenses	10,397	19,147	29,544	5,038	10,333	15,371	44,915	41,148	
Office Supplies	2,339	4,307	6,646	1,133	2,325	3,458	10,104	8,675	
Postage and Delivery	152	279	431	74	151	225	656	706	
Professional Fees	9,870	18,178	28,048	4,783	9,810	14,593	42,641	49,971	
Public Relations	14,010	25,801	39,811	6,789	13,924	20,713	60,524	53,040	
Telephone	5,084	9,363	14,447	2,464	5,053	7,517	21,964	20,396	
Outreach and Meetings	3,254	5,992	9,246	1,577	3,234	4,811	14,057	17,502	
Total Allocated Expenses	<u>110,485</u>	<u>899,221</u>	<u>1,009,706</u>	<u>31,249</u>	<u>64,091</u>	<u>95,340</u>	<u>1,105,046</u>	<u>1,060,116</u>	
Total Functional Expenses	<u>\$ 323,119</u>	<u>\$ 1,290,813</u>	<u>\$ 1,613,932</u>	<u>\$ 134,289</u>	<u>\$ 275,426</u>	<u>\$ 409,715</u>	<u>\$ 2,023,647</u>	<u>\$ 1,954,161</u>	

See accompanying Notes to Financial Statements.



**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (59,145)	\$ 50,348
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	39,851	46,118
Donated Fixed Assets	(11,000)	(20,100)
(Increase) Decrease in Current Assets:		
Program Revenue Receivables	(18,957)	(41,023)
Prepaid Expenses	4,564	25,062
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(21,095)	15,731
Related Party Payable – Due From Foundation	-	(5,104)
Accrued Expenses	(31,594)	18,515
Deferred Rent	(2,086)	(2,086)
Deferred Membership Dues	(32,113)	1,283
Other Deferred Revenue	(25,165)	12,445
Net Cash Provided (Used) by Operating Activities	(156,740)	101,189
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-	(9,376)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Note Payable	-	(94,095)
Payments on Capital Leases	(5,552)	(4,292)
Net Cash Used by Financing Activities	(5,552)	(98,387)
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(162,292)	(6,574)
Cash and Cash Equivalents – Beginning	707,966	714,540
 <b>CASH AND CASH EQUIVALENTS – ENDING</b>	\$ 545,674	\$ 707,966
 <b>SUPPLEMENTAL DISCLOSRE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 443	\$ 809
Donated Fixed Assets	\$ 11,000	\$ 20,100

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

MHTA, or the Minnesota High Tech Association, is incorporated in the state of Minnesota as a nonprofit corporation. The Association's mission is to fuel Minnesota's prosperity through innovation and technology. MHTA activities are dedicated to promoting the importance of innovation and technology to Minnesota and its people. Its operations are focused on workforce development, innovation, entrepreneurship and public policy. Members include technology-based businesses, ancillary support firms and public and nonprofit organizations that support Minnesota's technology ecosystem.

MHTA is also a member of TECNA, the Technology Councils of North America, which provides a national network of technology industry knowledge and expertise in business development, public relations and government affairs.

**Financial Statement Presentation**

The Association's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board of directors has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Association or passage of time.

Permanently Restricted – Those resources for which use has been permanently restricted by the donor.

**Tax Exempt Status**

The Association qualifies as a tax-exempt organization described in Section 501(c)(6) and is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. As such, it is exempt from federal unemployment taxes and state of Minnesota sales tax, but is subject to federal and state income taxes on net unrelated business income. The Association currently has no material unrelated business income.

The Association has adopted the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The adoption of this standard had no impact on the Association's financial statements. The Association files as tax-exempt organizations.

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Concentrations of Credit Risks**

Members and donors are primarily companies which operate in high technology environments in Minnesota.

**Cash and Cash Equivalents**

The Association classifies all highly liquid debt securities with a maturity of three months or less at the time of purchase to be cash equivalents. Cash is maintained in various bank deposit accounts which, at times, may exceed insured limits.

**Program Receivables**

Receivables are stated at net realizable value. Bad debts are provided for using the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At December 31, 2016 and 2015, the allowance was \$1,250.

**Fixed Assets**

All capital expenditures over \$1,000 are evaluated to determine if they should be recorded as a fixed asset at cost. Contributed items and contributed services related to the development of the web site are recorded at fair value as the development services or items are provided. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of fixed assets are recorded as unrestricted. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of fixed assets are three to five years for the website, and three to seven years for furniture and equipment. Leasehold improvements are amortized over the shorter of their useful lives or lease term.

**Goodwill and Intangibles**

Goodwill and intangibles were recorded at fair market value at the date of purchase of the Minnesota Venture & Finance Conference by the Association. Goodwill is tested annually for impairment. Intangibles are amortized over their useful life of 3 years. Amortization expense was \$2,000 for 2016 and 2015. Amortization expense for the year ended December 31, 2017 will be \$500.

**MINNESOTA HIGH TECH ASSOCIATION  
(A MINNESOTA NONPROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

The Association recognizes membership dues as revenues ratably over the applicable membership period. Unearned membership dues are reflected on the balance sheet as deferred membership dues. Receivables are recorded for past year dues when a membership commitment has been made.

Program revenues are recognized when the event occurs or services are provided. The unearned program revenues are presented as other deferred revenue on the balance sheet.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. 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. Unconditional promises to give are recorded as received. Conditional promises to give are not included as support until the conditions are substantially met.

**Functional Expenses**

The Association charges identifiable expenses directly to the appropriate program service. Expenses of a general nature are allocated to program service based on a pro-rated percentage of usage and on management's estimate.

**Subsequent Events**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 16, 2017, the date the financial statements were available to be issued noting none.

**NOTE 2 LEASES**

Effective July 1, 2012, the Association entered into a lease for new office space. Effective February 6, 2015, the Association expanded its office space and entered into a new agreement related to that expansion. The lease included 3 months of free rent and the lease expense is recognized on a straight-line basis over the life of the lease. The Association incurred rent expense of \$55,035 and \$44,915 for the years ended December 31, 2016 and 2015, respectively, for office facilities under operating leases. The office space lease requires the Association to pay an annual base rent through April 2018 for the expanded space.

**MINNESOTA HIGH TECH ASSOCIATION  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 2 LEASES (CONTINUED)**

Future minimum operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 26,605
2018	1,915
Total	<u>\$ 28,520</u>

The Association leases office equipment under a noncancelable lease. The lease has been capitalized and included in equipment. Such leased assets included on the Association's balance sheet consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 23,558	\$ 23,558
Less: Accumulated Amortization	(21,222)	(16,506)
Total	<u>\$ 2,336</u>	<u>\$ 7,052</u>

Interest expense related to these capital leases for the years ended December 31, 2016 and 2015 was \$443 and \$809, respectively.

Future minimum lease payments under the capital lease at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 3,473
Less: Amount Representing Interest	<u>(78)</u>
Total	3,395
Current	<u>(3,395)</u>
Long-Term	<u>\$ -</u>

**MINNESOTA HIGH TECH ASSOCIATION  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 3 RELATED PARTIES**

Minnesota High Technology Foundation (the Foundation) is a related organization through the appointment of several board members and similar operational staff. The Foundation made payments to the Association for the following programs:

	<u>2016</u>	<u>2015</u>
Tekne Expenses	\$ 1,650	\$ 3,820
get STEM project	10,000	10,000
SciTechsperience	-	80,000
Total Reimbursements	<u>\$ 11,650</u>	<u>\$ 93,820</u>

The Association paid directly the expenses of the Foundation and was reimbursed for the following items:

	<u>2016</u>	<u>2015</u>
Staff Support	\$ 50,000	\$ 50,000
Various Operating Expenses	-	1,305
Total	<u>\$ 50,000</u>	<u>\$ 51,305</u>

In addition, the Association made payments to the Foundation for the following program activities:

	<u>2016</u>	<u>2015</u>
Named Scholarship	\$ -	\$ 17,250
General Scholarship Donations	-	6,125
Total	<u>\$ -</u>	<u>\$ 23,375</u>

In 2013, the Association entered into an agreement with the Foundation whereby the Association would donate 200 hours of administrative services valued at \$15,000 to the Foundation. Any hours in excess of 200 hours will be billed to the Foundation. As of December 31, 2016 and 2015 this amount was \$-0-.

Certain members of the Association's board of directors are employees, officers or owners of companies from which the Association purchases goods and services in the normal course of business. During the years ended December 31, 2016 and 2015, the Association purchased the following goods and services from these companies:

	<u>2016</u>	<u>2015</u>
Professional Services	\$ 55,879	\$ 49,358
Total	<u>\$ 55,879</u>	<u>\$ 49,358</u>

**MINNESOTA HIGH TECH ASSOCIATION  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 4 IN-KIND REVENUE AND BARTER SERVICES**

The Association received donated advertising, professional fees, repairs and maintenance, public relations and website development services from vendors in exchange for Association membership benefits and event sponsorships. The excess value received by the Association in these exchanges is reported as in-kind revenue. These transactions are reported on the financial statements as follows:

	<u>2016</u>	<u>2015</u>
Revenue:		
Membership Dues	\$ 2,750	\$ 8,250
Events and Programs	63,005	76,450
Total	<u>\$ 65,755</u>	<u>\$ 84,700</u>
Expenses:		
Advertising	\$ 24,055	\$ 32,500
Professional Fees	15,000	12,000
Repairs and Maintenance	7,200	9,600
Public Relations	8,500	8,000
Website Development Costs	-	2,500
Balance Sheet:		
Website Developments Costs	11,000	20,100
Total	<u>\$ 65,755</u>	<u>\$ 84,700</u>

**NOTE 5 PENSION PLAN**

The Association has a defined contribution pension plan covering substantially all full-time employees who have met the age and service requirements of the plan. The Association contributions to the plan are based on a percentage of the eligible employee's base salary and were \$41,562 and \$59,937 for the years ended December 31, 2016 and 2015, respectively.