

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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
May 11, 2018

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016**

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 606,919	\$ 545,674
Program Revenue Receivables, Net	141,347	77,812
Prepaid Expenses	33,140	28,284
Total Current Assets	781,406	651,770
FIXED ASSETS		
Equipment and Furniture	27,917	54,781
Leasehold Improvements	9,254	9,254
Website	123,503	176,005
Less: Accumulated Depreciation	(140,318)	(202,152)
Net Fixed Assets	20,356	37,888
INTANGIBLE ASSETS		
Goodwill	193,000	193,000
Other Intangible Assets, Net	-	500
Total Intangible Assets	193,000	193,500
Total Assets	\$ 994,762	\$ 883,158
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,400	\$ 1,928
Accrued Expenses	141,141	126,389
Current Portion of Capital Lease	-	3,395
Deferred Rent	-	1,043
Deferred Membership Dues	322,671	246,582
Other Deferred Revenue	84,260	42,935
Total Current Liabilities	552,472	422,272
NET ASSETS		
Unrestricted	442,290	460,886
Total Net Assets	442,290	460,886
Total Liabilities and Net Assets	\$ 994,762	\$ 883,158

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS		
UNRESTRICTED SUPPORT AND REVENUE		
Membership Dues	\$ 598,360	\$ 614,228
Events and Programs	739,548	715,328
Grants	1,150,225	777,459
Interest	1,825	286
Miscellaneous	13,756	13,840
Total Unrestricted Support and Revenue	<u>2,503,714</u>	<u>2,121,141</u>
EXPENSE		
Program Services:		
Communications	297,453	299,136
Programs and Events	1,880,273	1,534,788
Total Program Services	<u>2,177,726</u>	<u>1,833,924</u>
Supporting Services:		
General Administration	139,415	140,397
Membership Development	205,169	205,965
Total Supporting Services	<u>344,584</u>	<u>346,362</u>
Total Expense	<u>2,522,310</u>	<u>2,180,286</u>
CHANGE IN NET ASSETS	(18,596)	(59,145)
Net Assets – Beginning of Year	<u>460,886</u>	<u>520,031</u>
NET ASSETS – END OF YEAR	<u>\$ 442,290</u>	<u>\$ 460,886</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2017**

	2017						
	Communi- cations	Programs and Events	Total Program Services	Supporting Services			Total
				General Administration	Membership Development	Total Supporting Services	
Salaries	\$ 157,706	\$ 440,542	\$ 598,248	\$ 87,438	\$ 128,677	\$ 216,115	\$ 814,363
Employee Benefits	26,254	73,339	99,593	14,556	21,421	35,977	135,570
Payroll Taxes	13,226	36,947	50,173	7,333	10,792	18,125	68,298
Total Salaries and Expenses	<u>197,186</u>	<u>550,828</u>	<u>748,014</u>	<u>109,327</u>	<u>160,890</u>	<u>270,217</u>	<u>1,018,231</u>
Bank Charges	4,280	11,957	16,237	2,373	3,492	5,865	22,102
Consulting	46,000	-	46,000	-	-	-	46,000
Depreciation and Amortization	4,796	13,398	18,194	2,659	3,913	6,572	24,766
Dues and Subscriptions	803	2,242	3,045	445	655	1,100	4,145
Equipment Rental	2,007	5,606	7,613	1,113	1,637	2,750	10,363
Insurance	1,337	3,734	5,071	741	1,091	1,832	6,903
Programs and Events	-	386,652	386,652	-	-	-	386,652
SciTechsperience	-	791,201	791,201	-	-	-	791,201
Occupancy Expenses	15,061	42,072	57,133	8,350	12,289	20,639	77,772
Office Supplies	1,509	4,215	5,724	837	1,231	2,068	7,792
Postage and Delivery	148	414	562	82	121	203	765
Professional Fees	13,344	37,277	50,621	7,399	10,888	18,287	68,908
Public Relations	3,658	10,219	13,877	2,028	2,985	5,013	18,890
Telephone	4,312	12,045	16,357	2,391	3,518	5,909	22,266
Outreach and Meetings	3,012	8,413	11,425	1,670	2,459	4,129	15,554
Total Allocated Expenses	<u>100,267</u>	<u>1,329,445</u>	<u>1,429,712</u>	<u>30,088</u>	<u>44,279</u>	<u>74,367</u>	<u>1,504,079</u>
Total Functional Expenses	<u>\$ 297,453</u>	<u>\$ 1,880,273</u>	<u>\$ 2,177,726</u>	<u>\$ 139,415</u>	<u>\$ 205,169</u>	<u>\$ 344,584</u>	<u>\$ 2,522,310</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2016**

	2016						
	Communi- cations	Programs and Events	Total Program Services	Supporting Services			Total
				General Administration	Membership Development	Total Supporting Services	
Salaries	\$ 155,043	\$ 360,030	\$ 515,073	\$ 85,953	\$ 126,092	\$ 212,045	\$ 727,118
Employee Benefits	23,340	54,198	77,538	12,939	18,982	31,921	109,459
Payroll Taxes	12,552	29,146	41,698	6,958	10,208	17,166	58,864
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>
Bank Charges	3,543	8,227	11,770	1,964	2,881	4,845	16,615
Consulting	46,000	-	46,000	-	-	-	46,000
Depreciation and Amortization	8,497	19,732	28,229	4,711	6,911	11,622	39,851
Dues and Subscriptions	1,002	2,326	3,328	555	815	1,370	4,698
Equipment Rental	1,309	3,041	4,350	726	1,065	1,791	6,141
Insurance	1,503	3,489	4,992	833	1,222	2,055	7,047
Programs and Events	-	363,796	363,796	-	-	-	363,796
SciTechsperience	-	582,909	582,909	-	-	-	582,909
Occupancy Expenses	11,735	27,250	38,985	6,506	9,544	16,050	55,035
Office Supplies	2,192	5,091	7,283	1,215	1,783	2,998	10,281
Postage and Delivery	7	285	292	68	100	168	460
Professional Fees	16,827	39,074	55,901	9,328	13,685	23,013	78,914
Public Relations	7,424	17,240	24,664	4,116	6,038	10,154	34,818
Telephone	4,625	10,740	15,365	2,564	3,762	6,326	21,691
Outreach and Meetings	3,537	8,214	11,751	1,961	2,877	4,838	16,589
Total Allocated Expenses	<u>108,201</u>	<u>1,091,414</u>	<u>1,199,615</u>	<u>34,547</u>	<u>50,683</u>	<u>85,230</u>	<u>1,284,845</u>
Total Functional Expenses	<u>\$ 299,136</u>	<u>\$ 1,534,788</u>	<u>\$ 1,833,924</u>	<u>\$ 140,397</u>	<u>\$ 205,965</u>	<u>\$ 346,362</u>	<u>\$ 2,180,286</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (18,596)	\$ (59,145)
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	24,766	39,851
Loss on Disposal of Fixed Assets	764	-
Donated Fixed Assets	-	(11,000)
(Increase) Decrease in Current Assets:		
Program Revenue Receivables	(63,535)	(18,957)
Prepaid Expenses	(4,856)	4,564
Increase (Decrease) in Current Liabilities:		
Accounts Payable	2,472	(21,095)
Accrued Expenses	14,752	(31,594)
Deferred Rent	(1,043)	(2,086)
Deferred Membership Dues	76,089	(32,113)
Other Deferred Revenue	41,325	(25,165)
Net Cash Provided (Used) by Operating Activities	<u>72,138</u>	<u>(156,740)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(7,498)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Leases	<u>(3,395)</u>	<u>(5,552)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,245	(162,292)
Cash and Cash Equivalents – Beginning of Year	<u>545,674</u>	<u>707,966</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 606,919</u>	<u>\$ 545,674</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 79</u>	<u>\$ 443</u>
Donated Fixed Assets	<u>\$ -</u>	<u>\$ 11,000</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization

MHTA, or the Minnesota High Tech Association (the 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, 2017 AND 2016**

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, 2017 and 2016, 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 three years. Amortization expense was \$500 and \$2,000, respectively, for 2017 and 2016.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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.

Reclassifications

Certain amounts for the year ended December 31, 2016 have been reclassified to conform with the presentation of the December 31, 2017 amounts. The reclassifications have no effect on net assets for the year ended December 31, 2016.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 11, 2018, the date the financial statements were available to be issued noting none.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 three months of free rent and the lease expense is recognized on a straight-line basis over the life of the lease. The office space lease requires the Association to pay an annual base rent through April 2018 for the expanded space. In addition, the Association leases additional space on a month-to-month basis. The Association incurred rent expense of \$77,772 and \$55,035 for the years ended December 31, 2017 and 2016, respectively, for office facilities under operating leases.

During the year ended December 31, 2017, the Association signed a lease for office equipment. The lease required monthly payments of \$329 for a term of 60 months.

Future minimum operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 19,769
2019	3,948
2020	3,948
2021	3,948
2022	987
Total	<u>\$ 32,600</u>

Subsequent to year-end, the Association extended their current office lease for a five-year period. As of May 11, 2018, a formalized lease had not been signed; however, the leased office space will be extended for five years.

The Association leased 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>2017</u>	<u>2016</u>
Equipment	\$ -	\$ 23,558
Less: Accumulated Amortization	-	(21,222)
Total	<u>\$ -</u>	<u>\$ 2,336</u>

Interest expense related to these capital leases for the years ended December 31, 2017 and 2016 was \$79 and \$443, respectively. The capital lease ended during 2017.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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>2017</u>	<u>2016</u>
Tekne Expenses	\$ 1,725	\$ 1,650
get STEM project	-	10,000
Bids & Bytes	5,000	-
Total Reimbursements	<u>\$ 6,725</u>	<u>\$ 11,650</u>

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

	<u>2017</u>	<u>2016</u>
Staff Support	\$ 50,000	\$ 50,000

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, 2017 and 2016 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, 2017 and 2016, the Association purchased the following goods and services from these companies:

	<u>2017</u>	<u>2016</u>
Professional Services	\$ 51,565	\$ 55,879

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>2017</u>	<u>2016</u>
Revenue:		
Membership Dues	\$ 4,000	\$ 2,750
Events and Programs	52,600	63,005
Total	<u>\$ 56,600</u>	<u>\$ 65,755</u>

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 IN-KIND REVENUE AND BARTER SERVICES (CONTINUED)

	2017	2016
Expenses:		
Professional Fees	\$ 55,600	\$ 46,255
Public Relations	1,000	8,500
Balance Sheet:		
Website Developments Costs	-	11,000
Total	\$ 56,600	\$ 65,755

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 \$51,047 and \$41,562 for the years ended December 31, 2017 and 2016, respectively.