

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 12, 2020

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**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
BALANCE SHEETS
DECEMBER 31, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 408,028	\$ 490,878
Program Revenue Receivables, Net	101,630	98,536
Prepaid Expenses	22,941	24,272
Total Current Assets	532,599	613,686
FIXED ASSETS		
Equipment and Furniture	28,473	27,917
Leasehold Improvements	9,254	9,254
Website	99,503	123,503
Less: Accumulated Depreciation	(127,947)	(152,013)
Net Fixed Assets	9,283	8,661
Total Assets	\$ 541,882	\$ 622,347
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,077	\$ 8,776
Accrued Expenses	77,194	112,616
Deferred Membership Dues	235,860	237,957
Deferred Sponsorships	97,780	86,555
Total Current Liabilities	422,911	445,904
NET ASSETS		
Without Donor Restrictions		
Undesignated	118,971	176,443
Total Liabilities and Net Assets	\$ 541,882	\$ 622,347

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTION		
UNDESIGNATED SUPPORT AND REVENUE		
Membership Dues	\$ 505,797	\$ 572,563
Events and Programs	645,956	634,035
Grants	1,446,099	1,397,783
Interest	6,325	5,749
Miscellaneous	10,005	17,827
Loss on Goodwill Impairment	-	(193,000)
Total Undesignated Support and Revenue	2,614,182	2,434,957
EXPENSE		
Program Services:		
Communications	184,267	281,812
Programs and Events	2,103,327	2,076,251
Total Program Services	2,287,594	2,358,063
Supporting Services:		
General Administration	204,952	153,838
Membership Development	179,108	188,903
Total Supporting Services	384,060	342,741
Total Expense	2,671,654	2,700,804
CHANGE IN NET ASSETS	(57,472)	(265,847)
Net Assets – Beginning of Year	176,443	442,290
NET ASSETS – END OF YEAR	\$ 118,971	\$ 176,443

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2019**

	2019						
	Program Services			Supporting Services			
	Communications	Programs and Events	Total Program Services	General Administration	Membership Development	Total Supporting Services	Total
Salaries	\$ 91,188	\$ 464,952	\$ 556,140	\$ 87,176	\$ 118,120	\$ 205,296	\$ 761,436
Employee Benefits	12,469	63,141	75,610	11,921	16,152	28,073	103,683
Payroll Taxes	8,152	41,279	49,431	7,793	10,560	18,353	67,784
Total Salaries and Expenses	<u>111,809</u>	<u>569,372</u>	<u>681,181</u>	<u>106,890</u>	<u>144,832</u>	<u>251,722</u>	<u>932,903</u>
Bank Charges	2,750	13,925	16,675	2,629	3,562	6,191	22,866
Bad Debt	-	750	750	-	-	-	750
Consulting	46,000	-	46,000	-	-	-	46,000
Depreciation and Amortization	596	3,020	3,616	570	773	1,343	4,959
Dues and Subscriptions	442	2,238	2,680	423	573	996	3,676
Equipment Rental	1,119	5,668	6,787	1,070	1,450	2,520	9,307
Insurance	624	3,161	3,785	597	809	1,406	5,191
Programs and Events	-	408,404	408,404	-	-	-	408,404
SciTechsperience	-	990,814	990,814	-	-	-	990,814
Occupancy Expenses	9,806	49,657	59,463	9,375	12,703	22,078	81,541
Office Supplies	594	3,011	3,605	568	770	1,338	4,943
Postage and Delivery	56	283	339	54	72	126	465
Professional Fees	4,615	23,370	27,985	77,178	5,978	83,156	111,141
Public Relations	2,147	10,871	13,018	2,052	2,781	4,833	17,851
Telephone	2,386	12,082	14,468	2,281	3,091	5,372	19,840
Outreach and Meetings	1,323	6,701	8,024	1,265	1,714	2,979	11,003
Total Allocated Expenses	<u>72,458</u>	<u>1,533,955</u>	<u>1,606,413</u>	<u>98,062</u>	<u>34,276</u>	<u>132,338</u>	<u>1,738,751</u>
Total Functional Expenses	<u>\$ 184,267</u>	<u>\$ 2,103,327</u>	<u>\$ 2,287,594</u>	<u>\$ 204,952</u>	<u>\$ 179,108</u>	<u>\$ 384,060</u>	<u>\$ 2,671,654</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2018**

	2018						
	Program Services			Supporting Services			
	Communications	Programs and Events	Total Program Services	General Administration	Membership Development	Total Supporting Services	Total
Salaries	\$ 155,961	\$ 457,324	\$ 613,285	\$ 85,656	\$ 126,135	\$ 211,791	\$ 825,076
Employee Benefits	25,748	75,502	101,250	14,141	20,824	34,965	136,215
Payroll Taxes	12,597	36,938	49,535	6,918	10,188	17,106	66,641
Total Salaries and Expenses	<u>194,306</u>	<u>569,764</u>	<u>764,070</u>	<u>106,715</u>	<u>157,147</u>	<u>263,862</u>	<u>1,027,932</u>
Bank Charges	4,089	11,990	16,079	2,246	3,307	5,553	21,632
Consulting	46,000	-	46,000	-	-	-	46,000
Depreciation and Amortization	2,211	6,482	8,693	1,214	1,788	3,002	11,695
Dues and Subscriptions	789	2,312	3,101	433	638	1,071	4,172
Equipment Rental	1,687	4,947	6,634	927	1,364	2,291	8,925
Insurance	1,096	3,213	4,309	602	886	1,488	5,797
Programs and Events	-	405,784	405,784	-	-	-	405,784
SciTechsperience	-	973,071	973,071	-	-	-	973,071
Occupancy Expenses	15,290	44,834	60,124	8,397	12,366	20,763	80,887
Office Supplies	2,077	6,093	8,170	1,141	1,681	2,822	10,992
Postage and Delivery	101	298	399	56	82	138	537
Professional Fees	5,227	17,707	22,934	25,287	2,414	27,701	50,635
Public Relations	1,627	8,315	9,942	2,804	1,316	4,120	14,062
Telephone	4,230	12,404	16,634	2,323	3,421	5,744	22,378
Outreach and Meetings	3,082	9,037	12,119	1,693	2,493	4,186	16,305
Total Allocated Expenses	<u>87,506</u>	<u>1,506,487</u>	<u>1,593,993</u>	<u>47,123</u>	<u>31,756</u>	<u>78,879</u>	<u>1,672,872</u>
Total Functional Expenses	<u>\$ 281,812</u>	<u>\$ 2,076,251</u>	<u>\$ 2,358,063</u>	<u>\$ 153,838</u>	<u>\$ 188,903</u>	<u>\$ 342,741</u>	<u>\$ 2,700,804</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (57,472)	\$ (265,847)
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	4,959	11,695
Loss on Goodwill Impairment	-	193,000
(Increase) Decrease in Current Assets:		
Program Revenue Receivables	(3,094)	42,811
Prepaid Expenses	1,331	8,868
Increase (Decrease) in Current Liabilities:		
Accounts Payable	3,301	4,376
Accrued Expenses	(35,422)	(28,525)
Deferred Membership Dues	(2,097)	(84,714)
Deferred Sponsorships	11,225	2,295
Net Cash Used by Operating Activities	(77,269)	(116,041)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(5,581)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(82,850)	(116,041)
Cash and Cash Equivalents – Beginning of Year	490,878	606,919
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 408,028	\$ 490,878

See accompanying Notes to Financial Statements.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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:

Net Assets Without Donor Restrictions – 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.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions. Some are temporary in nature, which will be satisfied by actions of the Association or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Association had no net assets with donor restrictions at December 31, 2019 and 2018.

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 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, 2019 AND 2018**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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, 2019 and 2018, the allowance was \$2,000 and \$1,250, respectively.

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 net assets without donor restrictions. 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.

Revenue Recognition

The Association derives revenue primarily from membership dues, events and programs and grants. Membership dues are recognized as revenues ratably over the applicable membership period. Dues collected in advance are recorded as deferred membership dues until they are earned.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Events and program revenue consist of sponsorships and registrations for the events. This revenue is considered to be exchange revenue and is recognized when the event occurs or services are provided. Amounts collected in advance are recorded as deferred sponsorships until the event occurs.

Grants are recognized when the related expenses are incurred.

All contributions are considered to be available for undesignated use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions not held in perpetuity are reclassified to net assets without donor restrictions. 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. Those expenses that are directly allocated include consulting, programs and events, and SciTechsperience expenses.

Adoption of Accounting Principle

In 2019, the Association adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Association's balance sheet and results of operations upon adoption using the modified retrospective approach of the new standard.

The Association also adopted Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. The Association adopted the standard related to both contributions received and contributions made during 2019. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. The implementation of this standard had no impact on the change in net assets as previously reported.

Subsequent Events

The Association has evaluated subsequent events from the balance sheet date through June 12, 2020, the date at which the financial statements were available to be issued.

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, the Association has liquidity, which it considers to be cash, cash equivalents, and accounts receivable, totaling \$509,658 and \$589,414, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Nor does the Association have any board-designated funds. The board of directors reviews liquidity at each meeting.

The Association's financial assets available within one year of the balance sheet date for general expenditure are as follows for the years ended December 31:

	2019	2018
Cash and Cash Equivalents	\$ 408,028	\$ 490,878
Accounts Receivable	101,630	98,536
Total	<u>\$ 509,658</u>	<u>\$ 589,414</u>

NOTE 3 LEASES

Effective May 1, 2018, the Association entered into a new lease for the same office space through June 30, 2023. In addition, the Association leases additional space on a month-to-month basis. The Association incurred rent expense of \$81,541 and \$80,887 for the years ended December 31, 2019 and 2018, respectively, for office facilities under operating leases.

During the year ended December 31, 2018, 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>
2020	\$ 53,310
2021	53,310
2022	50,349
2023	24,681
Total	<u>\$ 181,650</u>

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 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>2019</u>	<u>2018</u>
Tekne Expenses	\$ 750	\$ 1,725
Bids and Bytes	5,000	5,000
Total Reimbursements	<u>\$ 5,750</u>	<u>\$ 6,725</u>

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

	<u>2019</u>	<u>2018</u>
Staff Support	<u>\$ 40,000</u>	<u>\$ 50,000</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, 2019 and 2018 this amount was \$-0-.

In 2019, the Foundation owed the Association \$5,000 for a contribution that was specified for the TechTalent event for the Association. In 2018, the Association owed the Foundation \$3,000 for a portion of the agreed upon Foundation strategic planning expense.

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, 2019 and 2018, the Association purchased the following goods and services from these companies:

	<u>2019</u>	<u>2018</u>
Professional Services	<u>\$ 58,208</u>	<u>\$ 51,455</u>

NOTE 5 IN-KIND REVENUE AND BARTER SERVICES

The Association received donated advertising, professional fees, repairs and maintenance and public relations from vendors in exchange for Association membership benefits and event sponsorships. The 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>2019</u>	<u>2018</u>
Revenue:		
Events and Programs	<u>\$ 20,700</u>	<u>\$ 23,200</u>

**MINNESOTA HIGH TECH ASSOCIATION
(A MINNESOTA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 IN-KIND REVENUE AND BARTER SERVICES (CONTINUED)

	2019	2018
Expenses:		
Professional Fees	\$ 20,700	\$ 23,200

NOTE 6 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 \$16,527 and \$47,359 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 CONCENTRATIONS

At December 31, 2019, 75% of the Association's receivables relate to government grant receivables from two sources. At December 31, 2018, 70% of the Association's receivables relate to government grant receivables from two sources.

Total support and revenue during 2019 and 2018 consists of 55% and 57% from two government grants, respectively.

If a significant reduction in government grants were to occur, it might have a significant effect on the Association's programs and activities.

NOTE 8 SUBSEQUENT EVENTS

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Association, COVID-19 may impact various parts of its 2020 operations and financial results. In addition, COVID-19 is having significant effects on the events and programs held by Association in the spring of 2020. As such, the Association has postponed these related events and rescheduled them for the fall of 2020. Management believes that Association is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

Subsequent to year-end, the Association filed an Amendment to the Articles of Incorporation with the state of Minnesota to change its name from Minnesota High Tech Association to Minnesota Technology Association. These events have not affected the financial statements as of and for the year ended December 31, 2019.