

**ALZHEIMER'S FOUNDATION
OF AMERICA**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2017

ALZHEIMER'S FOUNDATION OF AMERICA

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Independent Auditor's Report

**Board of Directors
Alzheimer's Foundation of America**

Report on the Financial Statements

We have audited the accompanying financial statements of Alzheimer's Foundation of America which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

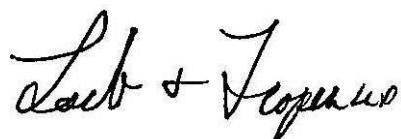
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Foundation of America as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Alzheimer's Foundation of America's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Loeb & Troper". The signature is written in a cursive, flowing style.

August 7, 2018

ALZHEIMER'S FOUNDATION OF AMERICA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

(With Summarized Financial Information as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 11,882,640	\$ 11,536,704
Investments (Note 2)	2,615,956	436,078
Contributions receivable (Note 3)	788,909	584,818
Prepaid expenses and other assets	96,148	97,165
Security deposits	20,433	20,433
Car held for sale	91,500	91,500
Fixed assets - net (Note 4)	<u>131,648</u>	<u>75,816</u>
Total assets	<u>\$ 15,627,234</u>	<u>\$ 12,842,514</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 337,411	\$ 781,591
Vacation payable	40,144	39,363
Grants payable (Note 5)	<u>422,943</u>	<u>641,588</u>
Total liabilities	<u>800,498</u>	<u>1,462,542</u>
Net assets (Exhibit B)		
Unrestricted	13,766,746	10,366,654
Temporarily restricted (Note 6)	609,990	563,318
Permanently restricted (Note 6)	<u>450,000</u>	<u>450,000</u>
Total net assets	<u>14,826,736</u>	<u>11,379,972</u>
Total liabilities and net assets	<u>\$ 15,627,234</u>	<u>\$ 12,842,514</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support				
Contributions	\$ 7,974,451	\$ 357,312		\$ 8,331,763
Special events	\$ 298,647			
Less direct costs of special events	<u>(81,535)</u>	217,112		217,112
Membership dues	95,296			95,296
Investment income (Note 2)	147,663	8,693		156,356
Program income	95,932			95,932
Grants	1,113,000			1,113,000
In-kind contributions	3,562,608			3,562,608
Net assets released from restrictions (Note 6)	<u>319,333</u>	<u>(319,333)</u>		
Total revenues, gains and other support	<u>13,525,395</u>	<u>46,672</u>		<u>13,572,067</u>
Expenses (Exhibit C)				
Program services - public awareness and support	<u>8,450,282</u>			<u>8,450,282</u>
Supporting services				
Management and general	1,018,848			1,018,848
Fund raising	<u>656,173</u>			<u>656,173</u>
Total supporting services	<u>1,675,021</u>			<u>1,675,021</u>
Total expenses	<u>10,125,303</u>			<u>10,125,303</u>

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ALZHEIMER'S FOUNDATION OF AMERICA

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2016</u>
Change in net assets (Exhibit D)	\$ 3,400,092	\$ 46,672	\$ -	\$ 3,446,764	\$ 3,052,715
Net assets - beginning of year	<u>10,366,654</u>	<u>563,318</u>	<u>450,000</u>	<u>11,379,972</u>	<u>8,327,257</u>
Net assets - end of year (Exhibit A)	<u>\$ 13,766,746</u>	<u>\$ 609,990</u>	<u>\$ 450,000</u>	<u>\$ 14,826,736</u>	<u>\$ 11,379,972</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017				Total	2016
	Program Services - Public Awareness and Support	Management and General	Fund Raising	Direct Costs of Special Events		
Salaries	\$ 1,724,530	\$ 106,694	\$ 287,128		\$ 2,118,352	\$ 1,814,510
Payroll taxes and benefits	267,632	16,558	44,560		328,750	273,416
Professional fees	93,595	818,222			911,817	674,625
Grants	728,187				728,187	1,350,922
Resource materials	175,370				175,370	196,161
Occupancy (Note 7)	241,795	28,447	14,223		284,465	216,697
Printing and postage	222,907	65	205,965		428,937	371,550
Advertising	772,589				772,589	565,343
Office expenses	64,011	17,160	3,432		84,603	69,421
Conferences	322,616				322,616	215,388
Utilities	12,210	1,436	718		14,364	1,711
Travel	76,281				76,281	49,627
Dues and subscriptions	41,497		13,335		54,832	45,231
Computer expense	57,841	11,999	2,400		72,240	66,489
Telephone	24,148	2,841	1,420		28,409	21,522
Catering and fees				\$ 81,535	81,535	60,027
Repairs and maintenance	7,043				7,043	5,837
Insurance	13,277	1,562	781		15,620	32,404

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ALZHEIMER'S FOUNDATION OF AMERICA

EXHIBIT C

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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017					2016
	Program Services - Public Awareness and Support	Management and General	Fund Raising	Direct Costs of Special Events	Total	
Bank charge and fees		\$ 1,648	\$ 79,768		\$ 81,416	\$ 100,042
In-kind media	\$ 3,562,608				3,562,608	3,930,425
Depreciation and amortization	34,217	12,216	2,443		48,876	41,863
Miscellaneous	7,928				7,928	14,207
Total expenses	8,450,282	1,018,848	656,173	\$ 81,535	10,206,838	10,117,418
Less expenses deducted directly from revenues on the statement of activities						
Direct cost of special events				(81,535)	(81,535)	(60,027)
Total expenses as reported by function in the statement of activities (Exhibit B)	\$ 8,450,282	\$ 1,018,848	\$ 656,173	\$ -	\$ 10,125,303	\$ 10,057,391

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 3,446,764
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	48,876
Net realized and unrealized gains	(43,119)
Decrease (increase) in assets	
Contributions receivable	(204,091)
Prepaid expenses and other assets	1,017
Increase (decrease) in liabilities	
Accounts payable	(444,180)
Vacation payable	781
Grants payable	(218,645)
	<u>2,587,403</u>
Net cash provided by operating activities	
Cash flows from investing activities	
Purchase of fixed assets	(104,708)
Purchase of investments	(2,544,277)
Proceeds from sales of investments	407,518
	<u>(2,241,467)</u>
Net cash used by investing activities	
Net change in cash and cash equivalents	345,936
Cash and cash equivalents - beginning of year	<u>11,536,704</u>
Cash and cash equivalents - end of year	\$ <u><u>11,882,640</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 - NATURE OF ORGANIZATION

Alzheimer's Foundation of America ("AFA") is a non-profit foundation comprised of member and associate member organizations across the United States dedicated to meeting the educational, social and emotional needs of individuals with Alzheimer's disease and their families and caregivers, as well as raising public awareness about the disease and lending expertise to healthcare professionals. AFA's primary sources of support are contributions.

The Internal Revenue Service has determined that AFA is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents consist of cash and highly liquid investments with maturity dates, when acquired, of three months or less.

Investments - Investments are recorded at fair value. AFA invests in various investment securities. These securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with the investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the market's fluctuations, and that such changes could materially affect AFA's financial statements.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which promises are received. Amortization of the discounts is included in contribution revenue. AFA determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based upon management's assessment of the aging of its receivables, current economic conditions, subsequent receipts and historical information. Conditional promises to give are not included as support until the conditions are substantially met. There was no allowance as of December 31, 2017.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets - Fixed assets in excess of \$500 with an estimated useful life of greater than one year are capitalized. Depreciation is taken on the straight-line method over the assets' estimated useful life of five years. Amortization of leasehold improvements is computed over the lesser of their estimated useful lives or the terms of the lease.

In-kind contributions/expenses - In-kind contributions consist of donated media which is recorded at its fair value at the date of donation as revenue and an equal amount of expense based upon market value as provided by the media vendors.

Net assets - Unrestricted net assets are those whose use by AFA has not been restricted by donors. Temporarily restricted net assets are those whose use by AFA has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by AFA in perpetuity.

Grants and contributions - Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the grant and contribution is received. The gifts are reported as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Car held for sale - In 2016, a vintage car was donated to AFA to be held for sale. The car was appraised by an independent appraiser at \$91,500.

Special events - AFA conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statement of activities.

Program income - Program income from professional training and education is recorded when services are provided.

Grants payable and expenses - Grants payable represent unpaid commitments made by the Board of Directors. Grant expenses represent grants which are appropriated by the Board of Directors to fund research into Alzheimer's.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Membership dues - Revenue for membership dues are recognized over the membership period.

Operating leases - Operating leases are straight-lined over the term of the lease. Deferred rent is recorded when there are material differences between the fixed payment and the rent expense. At December 31, 2017, no deferred rent was recorded.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services for which the costs have been incurred.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AFA has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 as compared to those used at December 31, 2016.

Common stock, mutual funds and exchange traded funds - Valued at the closing price reported on an active market on which the individual securities are traded and at the net asset value ("NAV") of shares held at year end.

State of Israel bonds - Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AFA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stock			
Consumer goods	\$ 11,095		\$ 11,095
Financial	6,239		6,239
Industrials	1,096		1,096
Technology	8,203		8,203
Utilities	<u>6,140</u>		<u>6,140</u>
Total common stock	<u>32,773</u>		<u>32,773</u>
Mutual funds - fixed income	<u>1,019,644</u>		<u>1,019,644</u>
Exchange traded funds			
U.S. Small Cap	<u>545,188</u>		<u>545,188</u>

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
State of Israel Bonds		\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
Total investments reported on the fair value hierarchy	\$ <u>1,597,605</u>	\$ <u>1,000,000</u>	<u>2,597,605</u>
Cash and cash equivalents			<u>18,351</u>
Total investments			\$ <u>2,615,956</u>

Investment income consists of:

Interest and dividend income	\$ 113,237
Net realized and unrealized gains	<u>43,119</u>
Total investment income	\$ <u>156,356</u>

Advertising - Advertising costs are expensed as incurred.*Uncertainty in income taxes* - AFA has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2014 and subsequent remain subject to examination by applicable taxing authorities.*Subsequent events* - Subsequent events have been evaluated through August 7, 2018 which is the date the financial statements were available to be issued.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 3 - CONTRIBUTIONS RECEIVABLE

All unconditional contributions receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 4%. The receivables, as of December 31, 2017, are due as follows:

2018 and prior	\$ 770,048
2019	10,000
2020	<u>10,000</u>
	790,048
Less discount to present value	<u>(1,139)</u>
	<u>\$ 788,909</u>

NOTE 4 - FIXED ASSETS

Leasehold improvements	\$ 55,617
Furniture and equipment	<u>397,195</u>
	452,812
Accumulated depreciation and amortization	<u>(321,164)</u>
	<u>\$ 131,648</u>

NOTE 5 - GRANTS PAYABLE

Unconditional grants payable are research grants due to be paid out over the following 4 years and have been discounted to fair present value using a discount rate of 4%. The payables are due as follows:

2018	\$ 234,333
2019	100,000
2020	<u>100,000</u>
	434,333
Less discount to present value	<u>(11,390)</u>
Net grants payable	<u>\$ 422,943</u>

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those assets whose use has been limited by donors for a specific time or purpose.

Temporarily restricted net assets at December 31, 2017 are available for the following purposes:

Research grants	\$	556,279	
Educating America Tour		35,000	
Unappropriated endowment earnings		<u>18,711</u>	
	\$	<u>609,990</u>	

Net assets were released from donor restrictions by incurring expenses satisfying the following temporarily restricted purposes:

Educating America Tour			\$	85,000
Research grants				
Hadassah Medical Organization	\$	134,333		
Feinstein Institute for Medical Research		<u>100,000</u>		<u>234,333</u>
	\$			<u>319,333</u>

Endowments - Permanently Restricted Net Assets

General - AFA's endowment consists of one donor-restricted endowment fund established to support activities of the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

Management of AFA adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. AFA is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, AFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AFA in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
(continued)Endowments - Permanently Restricted Net Assets (continued)Changes in Endowment Net Assets for the Year Ended December 31, 2017

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,018	\$ 450,000	\$ 460,018
Interest	<u>8,693</u>	<u> </u>	<u>8,693</u>
Endowment net assets, end of year	<u>\$ 18,711</u>	<u>\$ 450,000</u>	<u>\$ 468,711</u>

Return Objectives, Strategies Employed and Spending Policy

AFA's current objective is to develop an investment policy that would protect the corpus of the endowment fund while earning investment income. As of December 31, 2017, AFA has maintained the funds in their money market funds while the policy is being formulated.

The earnings on endowments are recorded in the temporarily restricted fund until appropriated for expenditure.

Endowment Net Asset Composition by Type of Fund as of December 31, 2017

Investments to be held in perpetuity are as follows:

Operating purposes	\$ <u>450,000</u>
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Funds with Deficiencies

There are no funds with deficiencies.

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ALZHEIMER'S FOUNDATION OF AMERICA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017****NOTE 7 - LEASE COMMITMENTS**

AFA leases space for its office under an operating lease which will expire November 30, 2021. AFA also leases satellite offices for storage space on a month-to-month basis. AFA began leasing additional space for its Education and Resource Center, commencing June 1, 2017. Rent expense for the year ended December 31, 2017 was \$255,731. AFA's future minimum rental commitments as of December 31, 2017 are as follows:

2018	\$ 289,949
2019	297,198
2020	304,628
2021	<u>201,673</u>
	\$ <u>1,093,448</u>

NOTE 8 - CONCENTRATIONS

Financial instruments which potentially subject AFA to a concentration of credit risk are cash and accounts in excess of FDIC insurance limits.

NOTE 9 - EMPLOYEE RETIREMENT PLAN

AFA has a 403(b) pension plan available to eligible employees. No contributions were made by the employer in 2017.