



THE TECH MUSEUM OF INNOVATION
(Formerly the Technology Center of Silicon Valley)

FINANCIAL STATEMENTS

DECEMBER 31, 1991 AND 1990

Price Waterhouse



REPORT OF INDEPENDENT ACCOUNTANTS

April 17, 1992

To the Board of Directors of
The Tech Museum of Innovation
(Formerly the Technology Center of Silicon Valley)

In our opinion, the accompanying balance sheet and the related statements of support and revenue, expenses and changes in fund balances and cash flows present fairly, in all material respects, the financial position of the Tech Museum of Innovation at December 31, 1991 and the results of its operations and its cash flows for the year in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Museum's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. The financial statements of The Tech Museum of Innovation as of December 31, 1990 and for the year then ended were audited by other independent accountants whose report dated April 17, 1991 expressed an unqualified opinion on those statements.

Price Waterhouse

THE TECH MUSEUM OF INNOVATION
(Formerly the Technology Center of Silicon Valley)

BALANCE SHEET

	December 31, 1991			December 31, 1990							
	Operating Funds	San Jose Citizens' Committee Fund	Tech Fund	Total	Operating Funds	San Jose Citizens' Committee Fund	Tech Fund	Total			
<u>ASSETS</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>			
Current assets:											
Cash and cash equivalents	\$ 124,000	\$ 263,000	\$ -	\$ 1,000	\$ 388,000	\$ -	\$ 685,000	\$ 110,000	\$ -	\$ 2,000	\$ 797,000
Prepaid expenses and other current assets	58,000	-	-	13,000	71,000	-	23,000	107,000	-	-	26,000
Inventory	-	-	-	45,000	45,000	-	-	-	-	31,000	156,000
Total current assets	<u>182,000</u>	<u>263,000</u>	<u>-</u>	<u>59,000</u>	<u>504,000</u>	<u>-</u>	<u>708,000</u>	<u>217,000</u>	<u>-</u>	<u>59,000</u>	<u>984,000</u>
Property and equipment:											
Exhibits and furnishings	-	-	-	6,501,000	6,501,000	-	-	-	-	-	6,465,000
Furniture, fixtures and equipment	-	149,000	91,000	88,000	328,000	-	-	149,000	91,000	48,000	288,000
Leasehold improvements	-	-	-	1,943,000	1,943,000	-	-	-	-	1,732,000	1,732,000
Less accumulated depreciation and amortization	-	(149,000)	(60,000)	(2,120,000)	(2,329,000)	-	-	(140,000)	(50,000)	(326,000)	(516,000)
Construction-in-progress	65,000	214,000	-	-	279,000	-	78,000	211,000	-	-	289,000
Interfund receivable (Note 4)	365,000	159,000	1,019,000	-	1,543,000	-	221,000	-	977,000	-	1,198,000
Other assets	20,000	-	20,000	-	40,000	-	20,000	-	20,000	-	40,000
	<u>\$ 632,000</u>	<u>\$ 636,000</u>	<u>\$ 1,070,000</u>	<u>\$ 6,471,000</u>	<u>\$ 8,809,000</u>	<u>\$ 1,027,000</u>	<u>\$ 1,027,000</u>	<u>\$ 437,000</u>	<u>\$ 1,038,000</u>	<u>\$ 7,978,000</u>	<u>\$ 10,480,000</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Current liabilities:											
Accounts payable and accrued expenses	\$ 66,000	\$ 39,000	\$ -	\$ 43,000	\$ 148,000	\$ 493,000	\$ -	\$ -	\$ -	\$ 40,000	\$ 533,000
Deferred restricted contributions	-	355,000	-	179,000	534,000	-	-	214,000	-	126,000	340,000
Total current liabilities	<u>66,000</u>	<u>394,000</u>	<u>-</u>	<u>222,000</u>	<u>682,000</u>	<u>493,000</u>	<u>493,000</u>	<u>214,000</u>	<u>-</u>	<u>166,000</u>	<u>873,000</u>
Interfund payable (Note 4)	1,178,000	101,000	-	264,000	1,543,000	977,000	87,000	87,000	-	134,000	1,198,000
Fund balances	(612,000)	141,000	1,070,000	5,985,000	6,584,000	(443,000)	136,000	136,000	1,038,000	7,678,000	8,409,000
	<u>\$ 632,000</u>	<u>\$ 636,000</u>	<u>\$ 1,070,000</u>	<u>\$ 6,471,000</u>	<u>\$ 8,809,000</u>	<u>\$ 1,027,000</u>	<u>\$ 1,027,000</u>	<u>\$ 437,000</u>	<u>\$ 1,038,000</u>	<u>\$ 7,978,000</u>	<u>\$ 10,480,000</u>

The accompany notes are an integral part of these financial statements.

THE TECH MUSEUM OF INNOVATION
(Formerly the Technology Center of Silicon Valley)

STATEMENTS OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

	Year ended December 31, 1991		Year ended December 31, 1990			
	Operating Funds	Tech Fund	Total	Operating Funds	Tech Fund	Total
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Support and revenue:						
Contributions	\$ 495,000	\$ 506,000	\$ 1,001,000	\$ 42,000	\$ 1,195,000	\$ 2,238,000
Donated property, services and rent	174,000	23,000	197,000	-	250,000	447,000
Admissions and fees	-	-	-	-	529,000	529,000
Store revenue	-	-	-	-	157,000	157,000
Interest income	20,000	-	20,000	-	-	-
Total support and revenue	<u>689,000</u>	<u>529,000</u>	<u>1,218,000</u>	<u>42,000</u>	<u>2,131,000</u>	<u>3,391,000</u>
Expenses:						
Exhibits and programs	168,000	433,000	601,000	10,000	3,578,000	4,189,000
Development and public relations	210,000	66,000	276,000	-	392,000	668,000
Administration	274,000	-	274,000	-	85,000	359,000
Total expenses	<u>652,000</u>	<u>499,000</u>	<u>1,151,000</u>	<u>10,000</u>	<u>4,055,000</u>	<u>5,216,000</u>
Excess (deficiency) of support and revenue over expenses	37,000	30,000	67,000	32,000	(1,924,000)	(1,825,000)
Beginning fund balances	(443,000)	136,000	(307,000)	1,038,000	7,678,000	8,409,000
Add (deduct) interfund transfers (Note 4)	(206,000)	(25,000)	(231,000)	-	231,000	-
Ending fund balances	<u>\$(612,000)</u>	<u>\$141,000</u>	<u>\$(471,000)</u>	<u>\$1,070,000</u>	<u>\$ 5,985,000</u>	<u>\$ 6,584,000</u>
					<u>\$ (443,000)</u>	<u>\$ 136,000</u>
					<u>\$1,038,000</u>	<u>\$1,180,000</u>
					<u>(163,000)</u>	<u>8,197,000</u>
					<u>\$7,678,000</u>	<u>\$8,409,000</u>

The accompany notes are an integral part of these financial statements.

THE TECH MUSEUM OF INNOVATION
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STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>1991</u>	<u>1990</u>
Cash flows from operating activities:		
Excess (deficiency) of support and revenue over expenses	\$(1,825,000)	\$ 6,081,000
Adjustments to reconcile excess (deficiency) of support and revenue over expenses to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,813,000	387,000
Donated equipment	(54,000)	(3,694,000)
Changes in assets and liabilities:		
Prepaid expenses and other current assets	85,000	(133,000)
Inventory	(14,000)	(31,000)
Accounts payable and accrued expenses	(385,000)	413,000
Deferred restricted contributions	<u>194,000</u>	<u>(681,000)</u>
Net cash provided by (used in) operating activities	<u>(186,000)</u>	<u>2,342,000</u>
 Cash flows used in investing activities for additions to property and equipment	 <u>(223,000)</u>	 <u>(3,739,000)</u>
 Net decrease in cash and cash equivalents	 (409,000)	 (1,397,000)
 Cash and cash equivalents, beginning of year	 <u>797,000</u>	 <u>2,194,000</u>
 Cash and cash equivalents, end of year	 <u>\$ 388,000</u>	 <u>\$ 797,000</u>

The accompanying notes are an integral part
of these financial statements.

THE TECH MUSEUM OF INNOVATION
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE MUSEUM AND ITS SIGNIFICANT ACCOUNTING POLICIES:

The Tech Museum of Innovation (the Museum; formerly The Technology Center of Silicon Valley) was incorporated on January 11, 1983 as a nonprofit public benefit corporation. The specific purpose of the Museum is to administer the financing, construction and operation of a high technology science center.

The Museum has entered into an agreement with the City of San Jose for the lease of certain building space for a nominal fee. The building space will house the Museum's temporary science center (the Tech; formerly the Garage) until the permanent facility (the Science Center) is completed (see Note 3). The Tech commenced operations in the fall of 1990.

Fund accounting

The accounts of the Museum are maintained in accordance with the principles of "fund accounting" to ensure observance of limitations and restrictions placed on the use of the resources available to the Museum. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

The assets, liabilities and fund balances of the Museum are reported in three self-balancing fund groups as follows:

Operating funds

Operating funds, which include unrestricted and restricted resources, represent the portion of expendable funds that are available for support of the Museum's operations. Operating funds restricted by the donor or the outside party for particular operating purposes are deemed to be earned and reported as revenues of operating funds when the Museum has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred restricted contributions. Donations of cash or furniture, fixtures and equipment for use in the Museum's public programs are recorded in the Tech Fund. Funds expended for furniture, fixtures and equipment used by the Museum in administering its operations are recorded in the unrestricted operating fund.

Restricted funds contributed by the San Jose Redevelopment Agency (SJRDA) are recorded in the SJRDA fund, which has been grouped with the restricted operating fund for financial statement presentation. Funds raised through a joint fund-raising campaign between the San Jose Citizen's Committee (SJCC) and the Museum will be transferred to the SJRDA fund at the conclusion of the campaign. During the year ended December 31, 1991, restricted contributions by the SJRDA aggregating \$441,000 were recorded as

support and revenue by the restricted fund. The SJRDA fund balance was \$(5,000) at December 31, 1991.

San Jose Citizens' Committee Fund

Funds received from SJCC are accounted for in a separate fund. In January 1988, the Museum finalized an agreement with SJCC regarding a joint fund-raising campaign, which has been in progress since 1984, the goal of which is to obtain donations of monies to be applied to the development of the Science Center. At the conclusion of the campaign, all contributions credited, net of expenses, if any, to the SJCC fund will be transferred to the SJRDA under a separate agreement. The Museum and SJRDA have agreed that the SJRDA will construct the Science Center, which will be leased by the Museum from SJRDA for a nominal fee (see Note 3).

Funds expended for furniture, fixtures and equipment used by the Museum in administering its operations are recorded in the Capital Equipment fund. The Capital Equipment fund balance was \$31,000 and \$41,000 at December 31, 1991 and 1990, respectively. This fund has been grouped with the SJCC fund for financial statement presentation.

Tech Fund

In 1990, the Museum created the Tech fund (formerly the Garage fund) to account for the specific operations of the Tech which commenced in the fall of 1990. The Tech fund consists primarily of exhibits and leasehold improvements which are transferred from the unrestricted and restricted operating funds upon completion, expenses incurred in the operation of the Tech as well as revenues earned in admissions, fees and store sales.

Funds received and expended relating to the operations of the retail store within the Tech are recorded in the Store fund. The Store fund balance was \$129,000 and \$160,000 at December 31, 1991 and 1990, respectively. This fund has been grouped with the Tech fund for financial statement presentation.

Cash equivalents

The Museum considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory is stated at the lower of cost or market, cost being determined on the first-in, first-out (FIFO) method.

Property and equipment

Property and equipment are stated at cost for assets acquired and at estimated fair value for assets contributed. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized by the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease.

Construction-in-progress

Construction-in-process is stated at cost and represents exhibit projects currently under construction.

Donated property, services and rent

The Museum includes the estimated fair value of certain donated services, leased equipment and facility space as both revenue and expense in the periods that the benefit of such services, equipment and facility space are realized.

Equipment donated with specific provisions for its use is recognized as support and revenue over the shorter of the restriction period or the estimated useful life of the equipment.

NOTE 2 - RELATED PARTY TRANSACTIONS:

For the years ended December 31, 1991 and 1990, the Museum received cash contributions and equipment donations amounting to \$1,246,000 and \$3,554,000, respectively, from members of the Board of Directors of the Museum or companies with which the Directors are affiliated.

NOTE 3 - SCIENCE CENTER:

In December 1984, the Museum reached an agreement in principle with the City of San Jose to locate the Science Center on a site donated by the City.

In January 1988, the Museum finalized an agreement (the Agreement) with the SJRDA regarding the construction of the Science Center. In accordance with the Agreement, the SJRDA will own the Science Center and lease it to the Museum for a nominal fee. The Museum and the SJCC set a goal of \$10,000,000 from their own fund raising efforts to be contributed to the cost of the Science Center. Currently, all proceeds received as a result of this fund raising effort are being accumulated in the SJCC fund. At the time of ground breaking, the Museum will remit the entire balance in the SJCC fund to the SJRDA for the construction of the Science Center (see Note 4).

The Agreement also states that the SJRDA will advance funds to the Museum for site preparation and building design expenses related to the construction of the Science Center. The funds advanced are accumulated in the restricted operating fund. When expended, equal amounts of revenue and expense are recognized in the restricted operating fund. The SJRDA has advanced

\$615,000 to the Museum for this purpose of which \$128,000 remains available in the restricted operating fund at December 31, 1991.

NOTE 4- INTERFUND BORROWINGS AND TRANSFERS:

The Museum's agreement with the SJCC provides that funds credited to the SJCC fund may be borrowed by the unrestricted operating fund for the payment of certain expenses incurred by the Museum. All funds borrowed, which are interest free, must be repaid to the SJCC fund prior to commencing construction of the Science Center. At December 31, 1991, \$1,019,000 was borrowed under this agreement.

At December 31, 1991, the unrestricted operating fund has loaned the Tech fund \$264,000 for use in funding the Tech's operations. Additionally, the unrestricted operating fund has loaned the SJRDA fund \$101,000 for exhibit construction. The restricted operating fund has loaned \$159,000 to the unrestricted operating fund primarily for operating purposes.

Interfund transfers for the year ended December 31, 1991 consist of transfers from the unrestricted and restricted operating funds of \$206,000 and \$25,000, respectively, to the Tech fund. Such amounts represent the cost of exhibits and leasehold improvements currently being used in Tech operations. During 1990, \$2,180,000, \$5,854,000 and \$163,000 was transferred to the Tech fund from the unrestricted operating fund, the restricted operating fund and the SJCC fund, respectively, representing the costs of exhibits and leasehold improvements being used in the Tech operations.

NOTE 5 - INCOME TAXES:

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable California statutes.

NOTE 6 - INTEREST IN REAL PROPERTY:

During 1990, the Museum received a restricted donation in the form of a 50% interest in certain real property. The Museum recorded \$107,000 for this donation, representing the amount of net proceeds expected from the sale of this property, and included it in other current assets in the restricted fund. In June 1991, the property was sold and the Museum's interest in the property was exchanged for cash of \$92,000. A restricted contribution in an amount equal to the loss on sale was recorded concurrent with this transaction.