

Financial Statements and
Report of Independent Certified Public Accountants
The Tech Museum of Innovation
December 31, 2002 and 2001

Report of Independent Certified Public Accountants

Board of Directors
The Tech Museum of Innovation

We have audited the accompanying statements of financial position of The Tech Museum of Innovation (the "Organization") (a California nonprofit corporation) as of December 31, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

San Jose, California
April 25, 2003

STATEMENTS OF FINANCIAL POSITION

December 31,

	2002			2001				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Cash and cash equivalents	\$ 44,203	\$ 982,038	\$ 1,387,410	\$ 2,413,651	\$ 115,513	\$ 2,086,238	\$ 322,581	\$ 2,524,332
Investments	237,411	-	8,076,917	8,314,328	287,614	-	8,162,711	8,450,325
Grants receivable, net	36,751	-	-	36,751	-	-	-	-
Other receivable	267,983	-	-	267,983	330,727	-	-	330,727
Inventory	292,878	-	-	292,878	268,075	-	-	268,075
Prepaid expenses and other assets	1,658,530	-	-	1,658,530	1,882,489	-	-	1,882,489
Contributed support receivable, net	-	586,450	2,443,910	3,030,360	-	420,018	3,678,823	4,098,841
Receivable for contributed use of facility, net	-	22,201,559	-	22,201,559	-	22,269,395	-	22,269,395
Property and equipment, net	19,269,386	-	-	19,269,386	23,129,525	-	-	23,129,525
	<u>\$ 21,807,142</u>	<u>\$ 23,770,047</u>	<u>\$ 11,908,237</u>	<u>\$ 57,485,426</u>	<u>\$ 26,013,943</u>	<u>\$ 24,775,651</u>	<u>\$ 12,164,115</u>	<u>\$ 62,953,709</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable and accrued expenses	\$ 1,385,230	\$ -	\$ -	\$ 1,385,230	\$ 1,092,964	\$ -	\$ -	\$ 1,092,964
Payable (receivable) between net asset categories	1,542,298	(1,014,362)	(527,936)	-	550,788	(243,324)	(307,464)	-
Deferred revenue	223,370	-	-	223,370	302,616	-	-	302,616
Note payable	140,000	-	-	140,000	280,000	-	-	280,000
Total liabilities	3,290,898	(1,014,362)	(527,936)	1,748,600	2,226,368	(243,324)	(307,464)	1,675,580
Net assets								
Unrestricted								
Undesignated	(753,142)	-	-	(753,142)	658,050	-	-	658,050
Designated for property and equipment	19,269,386	-	-	19,269,386	23,129,525	-	-	23,129,525
Temporarily restricted	-	24,784,409	-	24,784,409	-	25,018,975	-	25,018,975
Permanently restricted	-	-	12,436,173	12,436,173	-	-	12,471,579	12,471,579
Total net assets	18,516,244	24,784,409	12,436,173	55,736,826	23,787,575	25,018,975	12,471,579	61,278,129
	<u>\$ 21,807,142</u>	<u>\$ 23,770,047</u>	<u>\$ 11,908,237</u>	<u>\$ 57,485,426</u>	<u>\$ 26,013,943</u>	<u>\$ 24,775,651</u>	<u>\$ 12,164,115</u>	<u>\$ 62,953,709</u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

Year ended December 31,

	2002			2001				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Public support	\$ 1,549,299	\$ 112,125	\$ -	\$ 1,661,424	\$ 1,238,220	\$ 108,333	\$ -	\$ 1,346,553
Contributed support and special events, net of allowance and net present value adjustment	3,771,027	1,917,827	465,038	6,153,892	5,255,643	576,913	2,101,019	7,933,575
Donated property, services and rent	2,262,785	1,336,164	-	3,598,949	1,849,733	1,340,003	-	3,189,736
Admissions and fees	3,591,210	-	-	3,591,210	4,702,809	-	-	4,702,809
Store revenue	756,781	-	-	756,781	977,867	-	-	977,867
Federal awards	94,794	-	-	94,794	-	-	-	-
Interest income	320,529	24,937	-	345,466	162,320	93,962	-	256,282
Realized and unrealized loss on investments, net	(604,725)	-	-	(604,725)	(321,680)	-	-	(321,680)
Other income	-	-	-	-	6,706	-	-	6,706
Net assets released from restriction	4,126,063	(3,625,619)	(500,444)	-	4,256,341	(4,106,341)	(150,000)	-
Total support and revenue	15,867,763	(234,566)	(35,406)	15,597,791	18,127,959	(1,987,130)	1,951,019	18,091,848
Expenses:								
Program services								
Exhibits, programs, and experiences	9,009,509	-	-	9,009,509	11,921,847	-	-	11,921,847
Visitor services	3,285,961	-	-	3,285,961	3,206,616	-	-	3,206,616
Education	1,086,429	-	-	1,086,429	1,140,279	-	-	1,140,279
Supporting services								
Development and special events	2,543,405	-	-	2,543,405	2,864,403	-	-	2,864,403
Management and general								
Marketing and public relations	2,585,330	-	-	2,585,330	1,759,103	-	-	1,759,103
Administration	2,628,460	-	-	2,628,460	2,809,033	-	-	2,809,033
Total expenses	21,139,094	-	-	21,139,094	23,701,281	-	-	23,701,281
Change in net assets	(5,271,331)	(234,566)	(35,406)	(5,541,303)	(5,573,322)	(1,987,130)	1,951,019	(5,609,433)
Net assets at beginning of year	23,787,575	25,018,975	12,471,579	61,278,129	29,360,897	27,006,105	10,520,560	66,887,562
Net assets at end of year	\$ 18,516,244	\$ 24,784,409	\$ 12,436,173	\$ 55,736,826	\$ 23,787,575	\$ 25,018,975	\$ 12,471,579	\$ 61,278,129

See accompanying notes to financial statements.

The Tech Museum of Innovation
STATEMENTS OF CASH FLOWS

Years ended December 31,

	2002	2001
Cash flows from operating activities:		
Change in net assets	\$ (5,541,303)	\$ (5,609,433)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,657,848	5,409,927
Gain on disposal of assets	-	(10,805)
Provision for estimated uncollectible contributed support	(144,410)	(171,703)
Present value adjustment, net	(187,742)	(235,038)
Donated equipment	(1,003,949)	(235,587)
Donated investments	(705,577)	(1,156,795)
Contributions restricted for investment in endowment	35,406	(1,951,019)
Realized and unrealized loss on investments	604,725	321,680
Changes in operating assets and liabilities:		
Support receivables	1,468,470	2,262,144
Grants receivable	(36,751)	22,958
Other receivable	62,744	(148,236)
Prepaid expenses and other assets	223,959	325,083
Inventory	(24,803)	30,509
Accounts payable and accrued expenses	292,266	(361,265)
Deferred revenue	(79,246)	(30,354)
Net cash provided by (used in) operating activities	621,637	(1,537,934)
Cash flows from investing activities:		
Purchases of property and equipment	(793,761)	(476,572)
Purchases of investments	(4,991,183)	(6,778,974)
Proceeds from sales of investments	5,228,032	5,969,397
Net cash used in investing activities	(556,912)	(1,286,149)
Cash flows from financing activities:		
Net (release)contributions for investment in endowment	(35,406)	1,951,019
Payment on notes payable	(140,000)	(140,000)
Net cash (used in) provided by financing activities	(175,406)	1,811,019
NET DECREASE IN CASH AND CASH EQUIVALENTS	(110,681)	(1,013,064)
Cash and cash equivalents, beginning of year	2,524,332	3,537,396
Cash and cash equivalents, end of year	\$ 2,413,651	\$ 2,524,332
Supplemental disclosure of cash flow information:		
Interest paid	\$ 10,660	\$ 39,720

See accompanying notes to financial statements.

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Tech Museum of Innovation (the "Tech") was incorporated on January 11, 1983 as a nonprofit public benefit corporation. The purpose of the Tech is to operate a world-class technology science museum. Aiming to inspire the innovator in everyone, The Tech Museum of Innovation is an educational resource established to engage people of all ages and backgrounds. The Tech's support and revenue comes primarily through contributions, federal awards, admissions and fees, and store revenue.

Cash and Cash Equivalents

The Tech considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Categories of Net Assets

The net assets of the Tech are reported in the following categories:

- *Unrestricted net assets* generally have no donor-imposed restrictions. This category includes those revenues and expenses associated with program and supporting services.
- *Temporarily restricted net assets* include gifts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose of the proceeds is not permanently restricted.
- *Permanently restricted net assets* includes a gift which requires, by donor-imposed restriction, that the corpus be invested in perpetuity and only the income be made available for the Tech's use as directed by the donor.

Revenue Recognition

Membership dues are generally for the one-year period effective as of the month a member joins the Tech. Membership dues are deferred upon receipt and recognized as revenue ratably over the membership period.

Contributed Support

The Tech recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as unrestricted, temporarily restricted or permanently restricted depending on the existence of donor stipulations that limit the use of the support.

Functional Classification of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, principally on a direct cost basis, among the classifications.

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2002 and 2001

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist primarily of U.S. Treasury Bills, corporate stocks and an interest in the Offit Bank pooled investment fund (fund of equity and debt securities). Investments are carried at fair value as determined by quoted market prices.

Inventory

Inventory consists principally of merchandise (technology related items) sold in the Tech Store and 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 purchased assets and at estimated fair value for contributed assets. Depreciation on exhibits, furniture, fixtures and improvements is computed by the straight-line method over the estimated useful lives of the assets, which range 3 - 7 years. 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.

Donated Property, Services and Use of Facility

The Tech records various types of in kind support including professional services and tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in kind support are offset by like amounts included in expenses. Additionally, the Tech receives a significant amount of contributed time, which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Tax Exempt Status

The Tech has been granted exempt status by the Internal Revenue Service and Franchise Tax Board under Sections 501(c)(3) and 23701(d), respectively.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2002 and 2001

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Tech's allowance for estimated uncollectible contributed support receivables of \$342,262 and \$487,273, at December 31, 2002 and 2001, respectively is a particularly significant estimate. The determination of the balance in this account is based on an analysis of the receivables and reflects an amount which, in management's judgment, is adequate to provide for potential losses after giving consideration to the character of the receivables, current economic conditions, past collection experience and such other factors that deserve current recognition in estimating losses.

The Tech's estimate of the useful life of exhibits is also a particularly sensitive estimate. Exhibits are depreciated over seven years, which corresponds with the Organization's plan to replace all exhibits within that timeframe.

Expiration of Donor-Imposed Restrictions

Donor-restricted contributions are booked in the temporarily or permanently restricted categories of net assets. The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Long-lived assets acquired with gifts of cash restricted for those acquisitions are reported as unrestricted based on the Tech's policy of lifting restrictions on contributions of cash used for the acquisition of long-lived assets when the long-lived assets begin construction or are acquired.

Federal Awards

Federal awards consist of funds received from the federal government for specific research projects. Substantially all of the Tech's federal award revenue is derived from cost reimbursement grants, which are billed to the grantor after costs have been incurred. Federal award revenue and unbilled federal awards are recognized to the extent the related costs are incurred.

Federal awards are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

Reclassifications

Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

Advertising

All costs associated with advertising and promoting the Organization's activities are expensed in the year incurred. Advertising expense in 2002 and 2001 was \$1,014,687 and \$884,118, respectively.

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2002 and 2001

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$100,000. Uninsured balances aggregate to \$1,047,427 and \$2,296,049 at December 31, 2002 and 2001 respectively. Based upon the financial strength of its primary depository bank, it is the Organization's opinion that it is not exposed to any significant credit risk.

NOTE B - CASH AND INVESTMENTS

Information relative to cash and investments, is summarized as follows:

	2002		
	Interest Income	Net Realized/ Unrealized Gain (Losses)	Fair Value
Equity Securities	\$ 3,658	\$ (25,899)	\$ 237,412
University Technology Joint Venture	-	(45,501)	139,941
Offit Bank pooled investment fund	316,742	(533,325)	7,936,975
	320,400	(604,725)	8,314,328
Cash	25,066	-	2,413,651
	\$ 345,466	\$ (604,725)	\$ 10,727,979
	2001		
	Interest Income	Net Realized/ Unrealized Gain (Losses)	Fair Value
Equity Securities	\$ 2,515	\$ 31,758	\$ 1,726,185
University Technology Joint Venture	-	(29,249)	171,491
Community Foundation Silicon Valley pooled investment fund	57,057	(335,334)	-
Offit Bank pooled investment fund	76,383	11,145	6,552,649
	135,955	(321,680)	8,450,325
Cash	120,327	-	2,524,332
	\$ 256,282	\$ (321,680)	\$ 10,974,657

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2002 and 2001

NOTE C - CONTRIBUTED SUPPORT RECEIVABLE

Contributed support receivables are recorded after discounting the future cash flows to present value using a discount rate of 6%. Maturities of these receivables are as follows:

	<u>December 31, 2002</u>	
	<u>Contributed Support</u>	<u>Contributed Use of Facility</u>
2003	\$ 2,038,518	\$ 1,404,000
2004	1,165,461	1,404,000
2005	414,873	1,404,000
2006	120,000	1,404,000
2007	-	1,404,000
2008 and thereafter	-	<u>58,773,600</u>
	3,738,852	65,793,600
Less discount for present value	(366,230)	(43,592,041)
Less allowance for estimated uncollectible Contributed support	<u>(342,262)</u>	-
	<u>\$ 3,030,360</u>	<u>\$ 22,201,559</u>
	<u>December 31, 2001</u>	
	<u>Contributed Support</u>	<u>Contributed Use of Facility</u>
2002	\$ 2,182,812	\$ 1,404,000
2003	1,377,915	1,404,000
2004	1,041,916	1,404,000
2005	537,443	1,404,000
2006	-	1,404,000
2007 and thereafter	-	<u>60,177,600</u>
	5,140,086	67,197,600
Less discount for present value	(553,972)	(44,928,205)
Less allowance for estimated uncollectible Contributed support	<u>(487,273)</u>	-
	<u>\$ 4,098,841</u>	<u>\$ 22,269,395</u>

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2002 and 2001

NOTE C - CONTRIBUTED SUPPORT RECEIVABLE (continued)

The contributed support receivables are generally restricted to the design, construction and installation of exhibits, operating and educational center, property and equipment for the permanent facility and related marketing, fund raising and other services. They also include endowment pledges, which are permanently restricted. The Tech has entered into an agreement with the City of San Jose (the "City") for the lease of its primary facility for \$1 a year. The receivable for the contributed use of the facility reflects the fair value of the use of the facility for 55 years (through 2053) using current rental rates.

NOTE D - CONDITIONAL CONTRIBUTED SUPPORT

The Tech has received a funding commitment from the City for \$1,345,500 of annual support, which is conditioned on the City's annual ability to fund the contribution. The contribution is for operation and maintenance costs and spans the life of the related lease discussed in Note C.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

	<u>2002</u>	<u>2001</u>
Exhibits	\$ 25,483,637	\$ 24,854,728
Furniture, fixtures and improvements	7,763,681	6,884,253
Leasehold improvements	<u>10,198,736</u>	<u>10,165,891</u>
	43,446,054	41,904,872
Less: accumulated depreciation	(24,764,334)	(19,106,486)
Construction in Progress	<u>587,666</u>	<u>331,139</u>
	<u>\$ 19,269,386</u>	<u>\$ 23,129,525</u>

Depreciation expense for the years ended December 31, 2002 and 2001 was \$5,657,848 and \$5,409,927, respectively.

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2002 and 2001

NOTE F - NOTE PAYABLE

The note payable to bank in the amount of \$140,000 and \$280,000 at December 31, 2002 and December 31, 2001, respectively, is an unsecured term loan, which matures in December 2003. Principal payments of \$11,667 are due each month. The loan bears interest equal to the bank's reference rate plus .5% (4.75% at December 31, 2002). This loan matures in 2003.

NOTE G - LINE OF CREDIT

The Tech has available a \$1,500,000 unsecured bank line of credit. The line of credit bears interest equal to the bank's reference rate (4.25% at December 31, 2002). The credit agreement expires October 1, 2003. There was no outstanding balance on this line of credit at December 31, 2002 or 2001.

NOTE H - RELATED PARTY TRANSACTIONS

For the years ended December 31, 2002 and 2001, the Tech received cash, pledge and stock contributions and equipment donations amounting to \$3,984,907 and \$3,485,457, respectively, from members of the Board of Directors of The Tech or companies with which the Board of Directors are affiliated. Receivables from related parties were \$2,430,667 and \$3,545,284 at December 31, 2002 and 2001, respectively.

NOTE I - COMMITMENTS

The Tech is obligated under noncancelable operating leases for office, storage space and exhibits, which expire in January 2004 and September 2007, respectively. Future minimum noncancelable lease payments under the Tech's leases are as follows:

Year ending December 31,

2003	\$ 465,619
2004	117,699
2005	82,389
2006	82,389
2007	<u>61,792</u>
	<u>\$ 809,888</u>

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2002 and 2001

NOTE I - COMMITMENTS (continued)

In 2002 and 2001, total rent expense was \$1,832,777 and \$1,828,601, respectively, including \$1,404,000 representing the contributed use of the facility for 2001 and 2000, respectively.

The Tech has a 10-year lease commitment for the IMAX theater, which the Tech elected to prepay in 1998. The Tech will recognize lease expense of \$236,800, annually, through 2008. The Tech is subject to additional rent payments based on 7% of annual gross revenues over \$2,000,000 from the IMAX theater.

Included in the commitments above is a maintenance agreement related to the IMAX theater equipment lease which requires a minimum of \$64,500 in maintenance each year over the term of the 10 year lease.

NOTE J - MAJOR CONTRIBUTIONS

In 2002, eleven donors accounted for 72% of contributed support. In 2001, eleven donors accounted for 52% of contributed support

NOTE K - EMPLOYEE BENEFIT PLANS

The Tech provides a defined contribution plan for all full-time employees. The plan provides for employee contributions plus employer contributions at The Tech's discretion. The Tech contributed \$68,393 and \$75,284 for the years ended December 31, 2002 and December 31, 2001, respectively.

In 1999, The Tech initiated a Key Employee Option Plan whereby selected employees enter into pre-tax compensation reduction option agreements with The Tech concurrent with being awarded non-qualified options to purchase shares in a fund. The number of non-qualified options granted is based on actual compensation reduction amounts assuming a 25% discount from fair market value to be paid upon exercise. The fund is comprised of two mutual funds and had a fair value of \$237,411 and \$287,555 at December 31, 2002 and 2001, respectively. The fund was created with the monies contributed by The Tech and employees as specified in their respective compensation reduction option agreements. Employees may exercise their options on or after the first January 1 following the first anniversary of their compensation reduction option agreement. The exercise price per share of the shares to be purchased is 25% of the lesser of the Exercise Rate Fair Market Value or the Grant Date Fair Market Value increased by 7% per year from the grant date, compounded annually. The fair market value shall be based on prices reported on an established recognized stock exchange, unless the shares are not publicly traded, in which case it shall be determined by the Executive Committee of the Board of Directors of The Tech. At December 31, 2002 and 2001, The Tech had awarded options to six employees, all of which were exercisable. Included in accrued liabilities at December 31, 2002 and 2001 is \$178,058 and \$245,973, respectively, associated with this plan.

The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2002 and 2001

NOTE L - NET ASSETS

Temporarily restricted net assets are restricted by donors for the purposes described below. Permanently restricted net assets consist of investments held in perpetuity, the income of which is expendable for the purposes described below at December 31,:

	<u>2002</u>		<u>2001</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Educational programs	\$ 1,155,730	\$ 12,436,173	\$ 1,742,398	\$ 12,471,579
Operations	250,296	-	180,156	-
Special Projects	478,250	-	298,675	-
Capital campaign support receivable	50,943	-	108,316	-
City of San Jose, restricted for subsequent years operations	112,125	-	108,333	-
Annual campaign support receivable	535,506	-	311,702	-
Use of facilities	<u>22,201,559</u>	<u>-</u>	<u>22,269,395</u>	<u>-</u>
	<u>\$ 24,784,409</u>	<u>\$ 12,436,173</u>	<u>\$ 25,018,975</u>	<u>\$ 12,471,579</u>

The permanently restricted investment portfolio was reduced below the donors' original donation level due to investment losses in fiscal years 2002 and 2001. The unrestricted net asset category has a liability of \$527,936 and \$307,464 due to the permanently restricted net asset category to restore the original amount in the endowment at December 31, 2002 and 2001, respectively. The permanently restricted net asset category has a corresponding receivable from the unrestricted net asset category. At December 31, 2002 and 2001, The Tech did not have enough cash or investments on hand in order to meet all the temporary donor restrictions which existed at that date. The temporarily restricted net asset category has recorded a \$1,014,362 and \$243,324 receivable from the unrestricted net asset category at December 31, 2002 and 2001, respectively, to reflect the shortfall. Management has informed the affected donors of the borrowing and has received permission from those donors to maintain this level of borrowing with the stipulation that the monies ultimately be repaid to the temporarily restricted net asset category where they can be used for the intended purpose. Management plans to utilize future unrestricted revenue to meet all donor restrictions, as needed.

The Tech Museum of Innovation
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2002 and 2001

NOTE M - NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, including the passage of time. Temporarily restricted net assets were released from restriction as follows for the years ended December 31,:

	2002	2001
Purposes restrictions accomplished:		
Education	\$ 1,344,250	\$ 753,766
New museum	57,373	540,175
Time restriction met:		
Annual campaign receivables collected	819,996	1,408,400
Rent expense (contributed)	1,404,000	1,404,000
	\$ 3,625,619	\$ 4,106,341

Endowment contributions are permanently restricted. In 2002, donors formally released a portion of their contributions to be used for operational expenses. Permanently restricted net assets were released from restriction in the amounts of \$500,444 and \$150,000 for the years ended December 31, 2002 and 2001, respectively.