**The Tech Interactive**
**Financial Statements**
**June 30, 2021 and 2020**

Frank, Rimerman + Co. LLP

Board of Directors
The Tech Interactive
San Jose, California



INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of The Tech Interactive, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses 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 we plan and perform the audits 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 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 The Tech Interactive as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frank, Rimerman & Co. LLP

San Jose, California
October 31, 2021

**The Tech Interactive**
**Statements of Financial Position**

| | June 30, 2021 | | | June 30, 2020 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| ASSETS | | | | | | |
| Cash and Cash Equivalents | $ 1,391,938 | $ 1,229,655 | $ 2,621,593 | $ 698,223 | $ 2,492,414 | $ 3,190,637 |
| Grants and Other Receivables | 19,988 | 332,000 | 351,988 | 30,505 | 724,811 | 755,316 |
| Pledges Receivable, net | 261 | 3,352,739 | 3,353,000 | 5,100 | 4,452,659 | 4,457,759 |
| Prepaid Expenses and Other Assets | 84,155 | - | 84,155 | 208,901 | - | 208,901 |
| Investments | 2,610,888 | 35,004,414 | 37,615,302 | 5,107,846 | 29,755,558 | 34,863,404 |
| Property, Exhibits and Equipment, net | 7,487,352 | - | 7,487,352 | 9,242,747 | - | 9,242,747 |
| Beneficial Interest in Use of Facilities, net | - | 42,012,005 | 42,012,005 | - | 42,391,322 | 42,391,322 |
| Total assets | $ 11,594,582 | $ 81,930,813 | $ 93,525,395 | $ 15,293,322 | $ 79,816,764 | $ 95,110,086 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | $ 72,922 | $ - | $ 72,922 | $ 49,425 | $ - | $ 49,425 |
| Accrued expenses | 1,049,600 | - | 1,049,600 | 578,075 | - | 578,075 |
| Deferred revenue | 139,078 | - | 139,078 | 294,743 | - | 294,743 |
| Capital lease obligation | 1,596 | - | 1,596 | 4,133 | - | 4,133 |
| Term loan | 1,933,780 | - | 1,933,780 | 1,933,780 | - | 1,933,780 |
| Line of credit | - | - | - | 2,000,000 | - | 2,000,000 |
| Total liabilities | 3,196,976 | - | 3,196,976 | 4,860,156 | - | 4,860,156 |
| Commitments (Notes 5, 9 and 10) | | | | | | |
| Net Assets | | | | | | |
| Without donor restrictions | 8,397,606 | - | 8,397,606 | 10,433,166 | - | 10,433,166 |
| With donor restrictions | - | 81,930,813 | 81,930,813 | - | 79,816,764 | 79,816,764 |
| Total net assets | 8,397,606 | 81,930,813 | 90,328,419 | 10,433,166 | 79,816,764 | 90,249,930 |
| Total liabilities and net assets | $ 11,594,582 | $ 81,930,813 | $ 93,525,395 | $ 15,293,322 | $ 79,816,764 | $ 95,110,086 |

**The Tech Interactive**
**Statements of Activities**
**Years Ended June 30, 2021 and 2020**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenues | | | | | | |
| Public support | $ 1,747,357 | $ - | $ 1,747,357 | $ 1,535,980 | $ - | $ 1,535,980 |
| Contributed support | 1,710,166 | 3,992,587 | 5,702,753 | 3,424,542 | 14,682,904 | 18,107,446 |
| In-kind donations | 431,685 | - | 431,685 | 1,390,137 | - | 1,390,137 |
| Donated use of facilities | 1,024,683 | - | 1,024,683 | 1,215,812 | 22,315,266 | 23,531,078 |
| Admissions and fees | 295,502 | - | 295,502 | 2,262,703 | - | 2,262,703 |
| Rental and other income | 17,034 | - | 17,034 | 1,155,388 | - | 1,155,388 |
| Net assets released from restrictions | 9,006,598 | (9,006,598) | - | 10,976,127 | (10,976,127) | - |
| Total support and revenues | 14,233,025 | (5,014,011) | 9,219,014 | 21,960,689 | 26,022,043 | 47,982,732 |
| Expenses | | | | | | |
| Program services | | | | | | |
| Exhibits, programs and experiences | 9,322,775 | - | 9,322,775 | 11,275,360 | - | 11,275,360 |
| Education | 3,212,824 | - | 3,212,824 | 2,978,164 | - | 2,978,164 |
| Visitor services | 1,027,239 | - | 1,027,239 | 2,617,904 | - | 2,617,904 |
| Support services | | | | | | |
| Fundraising and membership | 1,105,841 | - | 1,105,841 | 1,960,818 | - | 1,960,818 |
| General and administrative | | | | | | |
| Marketing | 723,866 | - | 723,866 | 1,211,609 | - | 1,211,609 |
| Administration | 2,813,717 | - | 2,813,717 | 3,366,495 | - | 3,366,495 |
| Total expenses | 18,206,262 | - | 18,206,262 | 23,410,350 | - | 23,410,350 |
| Change in net assets from operations | (3,973,237) | (5,014,011) | (8,987,248) | (1,449,661) | 26,022,043 | 24,572,382 |
| Other Income | | | | | | |
| Investment income, net | 3,897 | 7,128,060 | 7,131,957 | 246,778 | 783,443 | 1,030,221 |
| Gain on extinguishment of debt | 1,933,780 | - | 1,933,780 | - | - | - |
| Total other income, net | 1,937,677 | 7,128,060 | 9,065,737 | 246,778 | 783,443 | 1,030,221 |
| Change in Net Assets | (2,035,560) | 2,114,049 | 78,489 | (1,202,883) | 26,805,486 | 25,602,603 |
| Net Assets, beginning of year | 10,433,166 | 79,816,764 | 90,249,930 | 11,636,049 | 53,011,278 | 64,647,327 |
| Net Assets, end of year | $ 8,397,606 | $ 81,930,813 | $ 90,328,419 | $ 10,433,166 | $ 79,816,764 | $ 90,249,930 |

See Notes to Financial Statements

**The Tech Interactive**
**Statement of Functional Expenses**
**Year Ended June 30, 2021**

| | Programs | | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | General and Administrative | | | |
| | Exhibits, Programs and Experiences | Education | Visitor Services | Total Program Services | Fundraising and Membership | Marketing | Administration | Total Support Services | Total |
| Salaries | $ 2,710,017 | $ 1,649,559 | $ 567,494 | $ 4,927,070 | $ 540,683 | $ 393,282 | $ 864,212 | $ 1,798,177 | $ 6,725,247 |
| Payroll Taxes | 190,008 | 115,648 | 40,077 | 345,733 | 37,926 | 27,828 | 59,769 | 125,523 | 471,256 |
| Benefits | 182,117 | 109,425 | 37,030 | 328,572 | 36,086 | 27,284 | 266,354 | 329,724 | 658,296 |
| Professional Fees | 329,203 | 713,098 | 2,625 | 1,044,926 | 7,900 | 12,624 | 582,008 | 602,532 | 1,647,458 |
| Materials and Supplies | 308,487 | 52,969 | 61,852 | 423,308 | 1,423 | 1,439 | 30,838 | 33,700 | 457,008 |
| Advertising and Public Relations | 11,808 | 23,693 | 634 | 36,135 | 5,893 | 58,540 | 14,462 | 78,895 | 115,030 |
| Purchase Services | 383,879 | 148,646 | 61,315 | 593,840 | 124,625 | 54,060 | 67,454 | 246,139 | 839,979 |
| Royalties | 3,988 | - | 1,258 | 5,246 | - | - | - | - | 5,246 |
| In-Kind Donations | - | - | - | - | - | - | 481,739 | 481,739 | 481,739 |
| Occupancy | 274,229 | 144,724 | 58,350 | 477,303 | 45,330 | 52,634 | 98,315 | 196,279 | 673,582 |
| Building and Equipment Rental | 69,589 | - | - | 69,589 | - | - | - | - | 69,589 |
| Depreciation and Amortization | 2,108,079 | 53,455 | 37,692 | 2,199,226 | 29,564 | 22,174 | 25,869 | 77,607 | 2,276,833 |
| Donated Rent | 1,224,049 | 69,719 | 62,011 | 1,355,779 | 24,710 | 12,355 | 11,156 | 48,221 | 1,404,000 |
| The Tech for Global Good | 906,907 | - | - | 906,907 | 238,817 | - | - | 238,817 | 1,145,724 |
| The Tech Challenge and Related Expenses | 32,139 | 20,306 | 6,375 | 58,820 | 50 | 240 | 2,640 | 2,930 | 61,750 |
| Insurance | 38,621 | 22,624 | 9,122 | 70,367 | 7,086 | 8,228 | 10,114 | 25,428 | 95,795 |
| Other | 549,655 | 88,958 | 81,404 | 720,017 | 5,748 | 53,178 | 298,787 | 357,713 | 1,077,730 |
| Total expenses | $ 9,322,775 | $ 3,212,824 | $ 1,027,239 | $ 13,562,838 | $ 1,105,841 | $ 723,866 | $ 2,813,717 | $ 4,643,424 | $ 18,206,262 |
| Percent of Total Expenses | 51% | 18% | 6% | 75% | 6% | 4% | 15% | 25% | 100% |

**The Tech Interactive**
**Statement of Functional Expenses**
**Year Ended June 30, 2020**

| | Programs | | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | General and Administrative | | | |
| | Exhibits, Programs and Experiences | Education | Visitor Services | Total Program Services | Fundraising and Membership | Marketing | Administration | Total Support Services | Total |
| Salaries | $ 3,314,542 | $ 1,468,054 | $ 1,505,157 | $ 6,287,753 | $ 802,554 | $ 636,966 | $ 1,139,120 | $ 2,578,640 | $ 8,866,393 |
| Payroll Taxes | 236,521 | 104,915 | 107,469 | 448,905 | 56,289 | 45,094 | 80,437 | 181,820 | 630,725 |
| Benefits | 279,769 | 122,904 | 130,778 | 533,451 | 68,107 | 59,288 | 97,431 | 224,826 | 758,277 |
| Professional Fees | 480,343 | 685,344 | 6,389 | 1,172,076 | 123,292 | 76,857 | 1,019,188 | 1,219,337 | 2,391,413 |
| Materials and Supplies | 463,363 | 51,455 | 30,099 | 544,917 | 12,040 | 18,362 | 80,552 | 110,954 | 655,871 |
| Advertising and Public Relations | 14,798 | 17,354 | 345 | 32,497 | 21,204 | 232,541 | 15,141 | 268,886 | 301,383 |
| Royalties | 189,243 | - | - | 189,243 | - | - | - | - | 189,243 |
| Bankcard Fees | 68 | 60 | 103,664 | 103,792 | 41 | - | - | 41 | 103,833 |
| In-Kind Donations | - | - | - | - | 236,043 | - | 329,016 | 565,059 | 565,059 |
| Travel and Transportation | 20,985 | 15,485 | 2,961 | 39,431 | 2,986 | 2,498 | 15,413 | 20,897 | 60,328 |
| Occupancy | 857,497 | 214,409 | 508,639 | 1,580,545 | 113,419 | 68,689 | 206,841 | 388,949 | 1,969,494 |
| Building and Equipment Rental | 463,340 | 5,808 | - | 469,148 | - | - | - | - | 469,148 |
| Depreciation and Amortization | 2,919,723 | 54,488 | 33,183 | 3,007,394 | 19,662 | 14,746 | 17,205 | 51,613 | 3,059,007 |
| Donated Rent | 1,224,049 | 68,519 | 62,011 | 1,354,579 | 37,066 | 12,355 | - | 49,421 | 1,404,000 |
| The Tech for Global Good | 534,913 | - | - | 534,913 | 388,409 | - | - | 388,409 | 923,322 |
| The Tech Challenge and Related Expenses | 23,672 | 52,114 | 15,611 | 91,397 | 26,721 | - | 56,388 | 83,109 | 174,506 |
| Insurance | 46,032 | 8,679 | 34,433 | 89,144 | 6,887 | 4,017 | 5,165 | 16,069 | 105,213 |
| Other | 206,502 | 108,576 | 77,165 | 392,243 | 46,098 | 40,196 | 304,598 | 390,892 | 783,135 |
| Total expenses | $ 11,275,360 | $ 2,978,164 | $ 2,617,904 | $ 16,871,428 | $ 1,960,818 | $ 1,211,609 | $ 3,366,495 | $ 6,538,922 | $ 23,410,350 |
| Percent of Total Expenses | 48% | 13% | 11% | 72% | 9% | 5% | 14% | 28% | 100% |

## The Tech Interactive
## Statements of Cash Flows

| | Years Ended June 30, 2021 | 2020 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Change in net assets | $ 78,489 | $ 25,602,603 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 2,276,833 | 3,059,007 |
| In-kind rent expense related to donated use of facilities | 379,317 | 188,148 |
| Net realized and unrealized gain on investments | (7,130,581) | (846,608) |
| Change in discount on pledges receivable | (108,879) | 61,706 |
| Change in allowance on pledges receivable | (25,000) | (25,000) |
| Gain on extinguishment of debt | (1,933,780) | - |
| In-kind donation of property, exhibits and equipment | - | (833,593) |
| In-kind donation of beneficial interest in use of facilities | - | (22,315,266) |
| Changes in operating assets and liabilities: | | |
| Grants and other receivables | 403,328 | (64,045) |
| Pledges receivable | 1,238,638 | (1,353,321) |
| Prepaid expenses and other assets | 124,746 | 77,375 |
| Accounts payable | 23,497 | (389,167) |
| Accrued expenses | 471,525 | (394,297) |
| Deferred revenue | (155,665) | (308,429) |
| Net cash provided by (used in) operating activities | (4,357,532) | 2,459,113 |
| Cash Flows from Investing Activities: | | |
| Net proceeds from sale and distribution of investments | 7,912,614 | 3,421,057 |
| Purchase of investments | (3,533,931) | (7,727,454) |
| Purchase of property, exhibits and equipment | (521,438) | (479,320) |
| Net cash provided by (used in) investing activities | 3,857,245 | (4,785,717) |
| Cash Flows from Financing Activities: | | |
| Payments on capital lease obligation | (2,537) | (3,815) |
| Proceeds from term loan | 1,933,780 | 1,933,780 |
| Payments on line of credit | (2,000,000) | - |
| Proceeds from line of credit | - | 2,000,000 |
| Net cash provided by (used in) financing activities | (68,757) | 3,929,965 |
| Net increase (decrease) in cash and cash equivalents | (569,044) | 1,603,361 |
| Cash and Cash Equivalents, beginning of year | 3,190,637 | 1,587,276 |
| Cash and Cash Equivalents, end of year | $ 2,621,593 | $ 3,190,637 |

See Notes to Financial Statements

1. Nature of Activities

The Tech Interactive's (The Tech) mission is to inspire the innovator in everyone. The Tech accomplishes its mission by engaging visitors in hands-on learning experiences involving science and technology, through high-quality professional development for teachers and by making its facilities available for teacher training, and other community convening. Through its exhibits, programs and facilities, The Tech aims to inspire learning and invigorate innovation locally, nationally and globally.

The Tech's learning experiences include interactive exhibits, hands-on science labs, after-school activities and standards-based educational IMAX films. The Tech also hosts two annual signature programs. The Tech Challenge is a team competition that inspires thousands of students in grades 4-12 to design and build devices that solve a real-world problem. For 33 years, The Tech Challenge has connected with various ethnic and socioeconomic communities to introduce students not only to science, technology, engineering and mathematics (STEM) concepts, but also to the thrill of hands-on learning and real-world design. The Tech for Global Good inspires young people to use technology to solve global challenges by connecting with people doing just that around the world.

The Tech hosts over 500,000 people a year in its galleries and programs and has approximately 3,500 member households.

2. Significant Accounting Policies

*Basis of Presentation:*

The Tech prepares its financial statements in accordance with accounting standards for not-for-profit organizations. The standards require not-for-profit organizations to segregate their net assets into two categories: without donor restrictions and with donor restrictions. Net assets without donor restrictions consist of net assets for which there are no donor-imposed restrictions, or for which such donor-imposed restrictions were temporary and expired during the current or previous years. Net assets with donor restrictions consist of amounts receivable or received that are restricted by the donor for specific purposes or for subsequent periods. Some contributions received from donors are required to be maintained in perpetuity, while others expire over time, or when the donor-imposed restriction is satisfied. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

2. Significant Accounting Policies (continued)

*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, disclosure of contingent assets and liabilities and reported amounts of support, revenues and expenses in the financial statements and accompanying notes. Significant estimates established by The Tech's management consist of the valuation of investments and the beneficial interest in use of facility. The value assigned to investments by The Tech's management are considered to be the amounts that could be realized from an orderly sale or other disposition of the investments. The value assigned to the beneficial interest in use of facilities by The Tech's management is considered to be the amount The Tech would otherwise be required to pay for use of the facilities. Actual results could differ from those estimates.

*Support:*

The Tech recognizes grants, contributions and pledges as revenue in the period the donor makes a promise to give that is, in substance, unconditional. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which revenue is received. 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 as to time or use expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

*Revenue Recognition:*

The Tech determines revenue recognition for its revenue-producing activities under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606) through the following steps:

- Identification of the contract or agreement with a customer or grantor
- Identification of the performance obligations in the contract or agreement
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract or agreement
- Recognition of revenue when, or as, The Tech satisfies a performance obligation

2. Significant Accounting Policies (continued)

*Revenue Recognition:* (continued)

Admission fees are recognized as revenue when received. Membership dues are deferred upon receipt and recognized ratably over the membership period, generally for one to two years, following the period of receipt. Amounts received for services or events not yet provided are recorded as deferred revenue, a contract liability, and are recognized in the period in which the service is provided or the event takes place.

*In-Kind Donations:*

The Tech records various types of in-kind donations including professional services, tangible assets, use of tangible assets and marketable securities. Donated marketable securities are immediately sold and The Tech accounts for the proceeds as contributed support on the Statements of Activities. 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, or the use thereof, are recognized when promised or received, whichever is earlier. The amounts reflected in the financial statements as in-kind donations are offset by like amounts of expenses or, in the case of long-term assets, over the period benefited.

In fiscal 2021, The Tech recognized in-kind contribution revenue of $1,456,000 ($24,921,000 in fiscal 2020). Expenses related to these in-kind contributions in fiscal 2021 are recognized in the Statements of Functional Expenses as an increase of $1,025,000 in beneficial interest in use of facilities and $431,000 of donated property, exhibits and equipment and other assets ($565,000 of contributions, $19,000 for The Tech for Global Good, an increase of $23,315,000 in beneficial interest in use of facilities, $188,000 in the release of beneficial interest in use of facility and $834,000 donated property, exhibits and equipment and other assets in fiscal 2020). The remaining expense in fiscal 2021 represents $379,000 in the release of beneficial interest in use of facility and $50,000 of amortization of donated property, exhibits and equipment and other assets.

The Tech also receives a significant amount of contributed time related to program services and fundraising, which does not meet the recognition criteria described above. Accordingly, the value of this important contributed time has not been determined and is not reflected in the financial statements.

2. Significant Accounting Policies (continued)

*Investments and Fair Value Measurement:*

The Tech accounts for investments under FASB ASC Topic 820, *Fair Value Measurement* (Topic 820). The Tech uses a three-level hierarchy under Topic 820 for fair value measurement based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. The three-level hierarchy prioritizes within the measurement of fair value, the use of market-based information over entity-specific information. Fair value focuses on an exit price and is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs or methodology used for valuing financial assets and liabilities are not necessarily an indication of the risk associated with those assets and liabilities.

The three-level hierarchy for fair value measurement is defined as follows:

**Level I:** Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

**Level II:** Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

**Level III:** Inputs to the valuation methodology significant to the fair value measurement, are unobservable.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Certificates of deposits with original maturities of greater than three months are reported at fair value based on cost and accumulated interest, which approximates fair value. Money market funds are recorded at fair value based on quoted market prices in active markets. These investments are classified under Level I of the three-level hierarchy. The Tech's fixed income investments are valued based on quoted market prices of similar assets are classified under Level II of the three-level hierarchy. The Tech's non-marketable investments in venture capital funds are classified under Level III of the three-level hierarchy. The Tech's pledges receivable not due within one year are recorded at fair value, estimated by discounting future cash flows to present value using a discount rate at the date of the financial statements, and are classified under Level II of the three-level hierarchy. At June 30, 2021 and 2020, The Tech applied a discount rate of 2.25% to long-term pledges receivable.

2. Significant Accounting Policies (continued)

*Investments and Fair Value of Measurement:* (continued)

Under Topic 820, The Tech's investments in equity funds and fixed income funds valued at fair value using the net asset value (NAV) per share of the entity's underlying assets as a practical expedient and are not categorized within the fair value hierarchy under GAAP. The value of these non-marketable investments presented in the financial statements are not necessarily indicative of amounts The Tech could realize upon liquidation of the funds and the difference between the recorded value and the amount realized could be material to the financial statements.

Level III Valuation Techniques:

The fair value of investments in venture capital funds is based on The Tech's percentage interest owned in each fund. The fund managers use various valuation approaches, including market and income approaches, to determine fair value of the venture capital funds. Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics and other factors. In addition, inputs can be either observable or unobservable.

The fair value of venture capital funds is initially based upon the transaction price. The fund managers rely on inputs such as multiple market price quotations from market makers (either market or indicative levels), recent transactions in the same or similar instruments, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt markets, and changes in the financial ratios or cash flows to determine ongoing fair value. Such investments are adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the funds in the absence of market information. Due to the lack of observable inputs, assumptions used by the fund managers may significantly impact the resulting fair value.

While the fund managers believe the valuation methods used are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of the venture capital funds could result in a different estimate of fair value at each reporting date. Estimated fair values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

2. Significant Accounting Policies (continued)

*Investments and Fair Value of Measurement:* (continued)

NAV Practical Expedient Valuation Techniques

The NAVs of investments are based on valuations provided by the general partners and managing members. The Tech reviews and evaluates the values provided by the general partners and managing members and agrees with the valuation methods and assumptions used in determining the fair value of these private equity investments. The value of these investments presented in the financial statements are not necessarily indicative of amounts The Tech could realize upon liquidation of the investments. Because of the inherent uncertainty of valuations, the estimated fair value may differ from the value that would have been used had a ready market for the investments existed, and the difference between the recorded value and the amount realized could be material to the financial statements.

*Cash and Cash Equivalents:*

The Tech considers all short-term highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents.

*Concentrations of Credit Risk:*

Financial instruments which potentially subject The Tech to concentration of credit risk consist primarily of cash and cash equivalents, investments, pledges receivable and grants and other receivables. The Tech’s cash and cash equivalent deposits held at one commercial bank and its money market funds held at a major financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. The Tech’s investments in certificates of deposit, fixed income funds and equity funds are held at several major financial institutions and are insured by the Securities Investor Protection Act (SIPA) up to $500,000, of which $250,000 is for cash and cash equivalent deposits per institution. Each of the Tech's individual certificates of deposit is held with a separate financial institution, at a value below the FDIC or SIPA insured amount. Investments in venture capital funds are not insured. The Tech’s investments are managed by The Tech’s Board of Directors.

Receivables are generally from local donors, grantors and other sources and these balances are evaluated for collectability by The Tech on a regular basis. Management makes judgments as to the ability to collect the outstanding receivables and provides allowances for potential credit losses as needed. Credit losses have historically been within management’s expectation.

2. Significant Accounting Policies (continued)

*Property, Exhibits and Equipment:*

The Tech capitalizes property, exhibits and equipment acquisitions over $3,000. Purchased or constructed property, exhibits and equipment are recorded at cost. Donated property, exhibits and equipment are recorded at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to 20 years. Construction in progress is not depreciated until placed into service. Leasehold improvements are amortized over the shorter of the asset's estimated useful life or the remaining lease term.

Gifts of property, exhibits and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

*Accounting for Impairment of Long-Lived Assets:*

The Tech reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. When it is determined the carrying value of long-lived assets may not be recoverable, The Tech measures any impairment based on projected discounted cash flows using a discount rate commensurate with the risk inherent in its current operating model. The Tech has not recorded any impairment of its long-lived assets through June 30, 2021.

*Investment Income:*

Investment income represents interest and dividends earned and investment gains, net of external and direct internal investment related fees. Investment income is recorded on the accrual method of accounting and dividends are recorded at the ex-dividend date. Realized gains and losses on investments represent the difference between the original cost of the investments and the price on the date of sale or disposal. The difference between the original cost and the estimated current fair value of investments owned at the end of the period represents cumulative unrealized gain or loss. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the Statement of Activities in the period as fluctuations occur as investment income or loss.

2. Significant Accounting Policies (continued)

*Functional Expenses:*

The costs of providing The Tech's various programs and services have been summarized on a functional basis in the Statements of Functional Expenses. Directly identifiable expenses are charged to the related program or service benefited. Indirect expenses are generally allocated based on operating expenses incurred and estimates of time and effort. Indirect expenses, such as occupancy and insurance are allocated based on employee headcount. Donated rent is allocated based on the square footage used by each program or service benefitted.

*Advertising Costs:*

Costs associated with advertising are expensed when incurred. Advertising expenses, including in-kind services, were $113,000 in fiscal 2021 ($316,000 in fiscal 2020).

*Income Taxes:*

The Tech has been determined to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code, and from California income taxes under Section 23701(d) of the California Revenue and Taxation Code.

Although an organization is recognized as tax exempt, it is still liable for tax on its unrelated business taxable income (UBTI). The Tech believes it does not have UBTI that will result in an income tax liability at June 30, 2021 and 2020.

The Tech applies the provisions set forth in FASB ASC Topic 740, *Income Taxes*, to account for the uncertainty in income taxes. The Tech has assessed all income tax positions taken where the statute of limitation remains open. The Tech believes its tax filing positions will be sustained upon tax examination; therefore, no liability for unrecognized income tax benefits has been recorded at June 30, 2021 and 2020. The Tech does not anticipate any significant increases or decreases to unrecognized income tax benefits during the next twelve months.

The Tech's federal exempt organization business income tax return (Form 990) is subject to examination, generally for three years after it is filed with the Internal Revenue Service. The Tech's California exempt organization business income tax return is subject to examination, generally for four years after it is filed with the Franchise Tax Board.

2. Significant Accounting Policies (continued)

*Recent Accounting Pronouncements Not Yet Effective:*

Leases

In February 2016, the FASB issued FASB ASC Topic 842, *Leases* (Topic 842). This standard requires all entities that lease assets under leases with terms of more than twelve months to capitalize the assets and related lease liabilities on the Statement of Financial Position.

Topic 842 is effective for The Tech as of July 1, 2022 and requires the use of a modified retrospective transition approach for its adoption. The Tech is currently evaluating the effect Topic 842 will have on its financial statements and related disclosures. Management expects the assets leased under operating leases, similar to the leases disclosed in Note 9 to the financial statements, will be capitalized together with the related lease obligations on the Statement of Financial Position upon the adoption of Topic 842.

Credit Losses

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard replaces the incurred credit loss model for the measurement of credit losses on financial assets measured at amortized cost, including accounts, grants and pledges receivable, and requires entities to recognize an allowance for credit loss for the difference between a receivable's amortized cost basis and the amount the entity expects to collect. ASU 2016-13 is effective for The Tech as of July 1, 2023 and requires the use of a modified-retrospective approach with early adoption permitted. The Tech believes the effect of adopting ASU 2016-13 will not have a material effect on its financial statements and related disclosures.

Presentation of Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For Profit Entities for Contributed Nonfinancial Assets.* ASU 2020-07 was issued to increase the transparency for measuring and reporting contributed nonfinancial assets. The new standard will be effective for The Tech as of July 1, 2021 and is to be applied on a retrospective basis for its adoption. Early adoption of the standard is permitted. The Tech is currently evaluating the effect ASU 2020-07 will have on its consolidated financial statements and related disclosures.

2. Significant Accounting Policies (continued)

*Recent Accounting Pronouncements Not Yet Effective:* (continued)

Presentation of Nonfinancial Assets (continued)

ASU 2020-07 will require contributions from donors to be reported on the statement of activities as either contributions of cash and financial assets or nonfinancial assets. Not-for-profit entities will be required to provide details as to the types of nonfinancial assets received, any donor-imposed restrictions on the assets, whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, the entity's accounting policy for monetizing the assets instead of utilizing the assets, and a description of the valuation techniques and inputs used to arrive at a fair value measurement for the donated assets, in accordance with Topic 820, at initial recognition.

3. Liquidity and Availability of Resources

The table below represents assets available for general expenditures within one year at June 30, 2021:

| | |
|---|---|
| Cash and cash equivalents | $ 2,621,593 |
| Grants and other receivables | 351,988 |
| Pledges receivable, net | 3,353,000 |
| Investments | 37,615,302 |
| Total financial assets | 43,941,883 |
| Less amounts not available to be used within one year: | |
| Funds received from donors restricted for programs (Note 11) | 8,933,390 |
| Receivables due in one to five years, net of discount (Note 4) | 2,377,739 |
| Receivables in less than one year restricted for purpose, net of allowance (Note 11) | 1,307,000 |
| Undesignated endowment income not eligible for appropriation (Note 11) | 9,844,025 |
| Investments in donor restricted endowments held in perpetuity (Note 11) | 16,715,706 |
| Financial assets not available to be used within one year | 39,177,860 |
| Financial assets available to meet general expenditures within one year | $ 4,764,023 |

3. Liquidity and Availability of Resources (continued)

The table below represents assets available for general expenditures within one year at June 30, 2020:

| | |
|---|---|
| Cash and cash equivalents | $ 3,190,637 |
| Grants and other receivables | 755,316 |
| Pledges receivable, net | 4,457,759 |
| Investments | 34,863,404 |
| Total financial assets | 43,267,116 |
| Less amounts not available to be used within one year: | |
| Funds received from donors restricted for programs (Note 11) | 10,753,651 |
| Receivables due in one to five years, net of discount (Note 4) | 3,609,659 |
| Receivables in less than one year restricted for purpose, net of allowance (Note 11) | 1,567,811 |
| Undesignated endowment income not eligible for appropriation (Note 11) | 4,444,112 |
| Investments in donor restricted endowments held in perpetuity (Note 11) | 16,715,706 |
| Financial assets not available to be used within one year | 37,090,939 |
| Financial assets available to meet general expenditures within one year | $ 6,176,177 |

The Tech monitors liquidity and the availability of its resources on an ongoing basis to ensure adherence to donor restrictions, contractual commitments and legal requirements for the use of funds while also maximizing the return on investments.

The Tech considers funds with donor restrictions of time periods greater than one year and to purpose to be unavailable for use in general expenditures. Other contractual commitments may require The Tech's assets to be maintained for a period of time before becoming accessible through redemption or withdrawal. Such assets bound by contractual commitments are not available for general expenditures within one year.

The Tech has donor-restricted assets held within an endowment fund (Note 13) that are also restricted to use based on state and federal law. Up to 5% of the endowment assets average fair value over a three-year moving period may be appropriated and used for general expenditures within twelve months. The Tech's Board of Directors (Board) will appropriate such resources when and if considered necessary. The Tech's Board (investment and executive committee) has authorized the spending rate to be increased to 7% of the endowment assets average fair value over a three-year moving period may be appropriated and used for general expenditures within twelve months for fiscal 2021 and 2022.

4. Pledges Receivable

Pledges receivable are summarized as follows at June 30:

| | 2021 | 2020 |
|---|---|---|
| The Tech 3.0 Campaign | $ 1,384,201 | $ 2,083,000 |
| Other | 1,968,799 | 2,374,759 |
| Net pledges receivable | $ 3,353,000 | $ 4,457,759 |
| Receivable in less than one year | $ 975,261 | $ 848,100 |
| Receivable in one to five years | 2,484,201 | 3,825,000 |
| | 3,459,462 | 4,673,100 |
| Less: unamortized discount to present value | (106,462) | (215,341) |
| Net pledges receivable | $ 3,353,000 | $ 4,457,759 |

The amounts raised will be used to fund various programs and functions of The Tech, including construction and ongoing staffing and maintenance of new exhibits. Through June 30, 2021, The Tech has raised $57,568,000 from The Tech 3.0 Campaign, of which $56,184,000 had been received.

5. Investments

The following table presents the financial instruments carried at fair value as of June 30, 2021:

| | Level I | Level II | Level III | NAV | Total |
|---|---|---|---|---|---|
| Certificates of deposit | $ 544,000 | $ - | $ - | $ - | $ 544,000 |
| Money market funds | 10,554,958 | - | - | - | 10,554,958 |
| Fixed income funds | - | 2,472,794 | - | 2,542,616 | 5,015,410 |
| Venture capital funds | - | - | 5,496,003 | - | 5,496,003 |
| Equity funds | - | - | - | 16,004,931 | 16,004,931 |
| Total | $ 11,098,958 | $ 2,472,794 | $ 5,496,003 | $ 18,547,547 | $ 37,615,302 |

5. Investments (continued)

The following table presents the financial instruments carried at fair value as of June 30, 2020:

| | Level I | Level II | Level III | NAV | Total |
|---|---|---|---|---|---|
| Certificates of deposit | $ 10,410,979 | $ - | $ - | $ - | $ 10,410,979 |
| Money market funds | 3,356,764 | - | - | - | 3,356,764 |
| Fixed income funds | - | 2,709,447 | - | 2,731,570 | 5,441,017 |
| Venture capital funds | - | - | 3,082,679 | - | 3,082,679 |
| Equity funds | - | - | - | 12,571,965 | 12,571,965 |
| Total | $ 13,767,743 | $ 2,709,447 | $ 3,082,679 | $ 15,303,535 | $ 34,863,404 |

There were purchased investments of $412,500 classified by The Tech within Level III of the fair value hierarchy in fiscal 2021 ($307,500 in fiscal 2020). There were no transfers between the levels of the fair value hierarchy in fiscal 2021 or 2020.

*Level III Investments:*

The following table summarizes the quantitative inputs and assumptions used, and the remaining capital commitments and termination dates for investments categorized as Level III under the fair value hierarchy:

| | Fair Value at June 30, 2021 | Fair Value at June 30, 2020 | Remaining Commitment at June 30, 2021 | Term Date** |
|---|---|---|---|---|
| Legacy Venture V, LLC | $ 807,392 | $ 636,936 | $ - | December 31, 2020 |
| Legacy Venture VII, LLC | 2,480,240 | 1,481,342 | 15,000 | December 31, 2026 |
| Legacy Venture VIII, LLC | 1,428,765 | 743,727 | 52,500 | December 31, 2028 |
| Legacy Venture IX, LLC | 710,541 | 174,164 | 285,000 | December 31, 2030 |
| University Technology Ventures, L.P. | 69,063 | 46,510 | 31,328 | December 31, 2019* |
| Total | $ 5,496,001 | $ 3,082,679 | $ 383,828 | |

* The investment fund is in liquidation as of June 30, 2021.
** The investment fund continues in existence until the term end date, or until the earlier termination or extension of the entity in accordance with provisions of the limited partnership agreement or operating agreement. Redemption not permitted during the life of the entity without prior written consent of the general partner or managing member or upon an affirmative vote by members, within the terms of the limited partnership agreement or operating agreement.

The investments categorized as Level III under the fair value hierarchy are valued using a market approach technique. Unobservable inputs to the valuation include an illiquidity discount.

5. Investments (continued)

*Investments Valued Using NAV:*

Investments valued using NAV as a practical expedient are as follows:

| | Fair Value at June 30, 2021 | Fair Value at June 30, 2020 | Redemption Frequency | Redemption Notice |
|---|---|---|---|---|
| Equity funds | $ 16,004,931 | $ 12,571,965 | Daily - Annually | 1 - 90 days |
| Fixed income funds | 2,542,616 | 2,731,570 | Daily - Monthly | 1 - 5 days |
| Total | $ 18,547,547 | $ 15,303,535 | | |

The equity funds include investments in actively managed funds that invest in stocks or other securities issued by companies in domestic and foreign markets. The fixed income funds include investments in actively managed funds that invest in government, corporate or sovereign bonds. Investments are held within a commingled trust.

6. Property, Exhibits and Equipment

Property, exhibits and equipment consists of the following at June 30:

| | 2021 | 2020 |
|---|---|---|
| Exhibits | $ 18,005,734 | $ 15,808,597 |
| Building and leasehold improvements | 13,046,633 | 11,905,988 |
| Equipment | 7,670,287 | 7,649,127 |
| Computer software | 11,000 | 11,000 |
| Construction in progress | - | 2,837,504 |
| | 38,733,654 | 38,212,216 |
| Accumulated depreciation and amortization | (31,246,302) | (28,969,469) |
| Property, exhibits and equipment, net | $ 7,487,352 | $ 9,242,747 |

Museum exhibits are generally constructed by The Tech and consist of materials, supplies, salaries and related benefits. Exhibits under construction are recorded as construction in progress, which will be recorded as exhibits and depreciated when placed in service.

7. Beneficial Interest in Use of Facilities

In fiscal 2020, The Tech entered into a 55-year agreement with the City of San Jose to lease its primary facility and an adjacent exhibition hall for $1 per year. The original 1998 lease agreement for the primary facility was terminated as the new agreement became effective and the beneficial interest in use of the facility was reversed. The Tech has recorded an asset to reflect a beneficial interest in the use of the facilities, representing the estimated fair value of the lease at its inception. The asset is being amortized over the lease term to revenue as donated use of facilities.

The beneficial interest in the use of facility is as follows at June 30:

| | 2021 | 2020 |
|---|---|---|
| Total benefit in interest in use of facilities | $ 74,412,000 | $ 75,816,000 |
| Less discount to net present value (2.5% in fiscal 2021 and 2020) | (32,399,995) | (33,424,678) |
| Net beneficial interest in use of facilities | $ 42,012,005 | $ 42,391,322 |

The following amounts have been recognized in the financial statements in connection with the beneficial interest in use of facilities for fiscal:

| | 2021 | 2020 |
|---|---|---|
| Rent expense | $ 1,404,000 | $ 1,404,000 |
| Amortization of discount | (1,024,683) | (1,215,852) |
| Net decrease in temporarily restricted net assets | $ 379,317 | $ 188,148 |

8. Borrowings

*Line of Credit*

The Tech had a $2,000,000 line of credit with a bank that matured in January 2021. Borrowings under the agreement bore interest at the bank's prime rate plus 1% per annum and were unsecured. Interest expense of $63,000 was incurred in fiscal 2021 under the agreement. Principal and interest of $2,063,000 were paid in 2021 to settle the line of credit in full.

8. Borrowings (continued)

*PPP Loans*

In April 2020, The Tech entered into a promissory note (the Note) evidencing an unsecured loan in the amount of $1,933,780 made to The Tech (the Loan) under the Paycheck Protection Program (the PPP). The PPP was established under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) and is administered by the U.S. Small Business Administration (the SBA). The Loan to The Tech was made through Bank of America. Subject to the terms of the Note, the Loan bears interest at a fixed rate of one percent (1%) per annum, with the first six months of interest deferred. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of loan proceeds for payment of permitted and eligible payroll costs, mortgage interest, rent and utilities. Interest payable on the Note may be forgiven only if the SBA agrees to pay such interest on the forgiven principal amount of the Note. In March 2021, The Tech received forgiveness by the SBA for the full amount of the note and accrued interest, which was reported as a gain on extinguishment of debt.

In connection with the Loan forgiveness, the SBA reserves the right to challenge its decision reached, and the resolution of such matter could result in The Tech being required to repay all or a portion of the amount forgiven, along with possible interest and penalties. In the opinion of the Board, The Tech used reasonable judgment in requesting the Loan to be forgiven and its determination the requirements for forgiveness were met will be sustained upon further SBA examination.

In March 2021, The Tech entered into a promissory note (2021 Note) evidencing an unsecured loan in the amount of $1,933,780 made to The Tech (2021 Loan) under the PPP. The Loan to The Tech was made through Bank of America. Subject to the terms of the Note, the Loan bears interest at a fixed rate of one percent (1%) per annum. No assurance is provided The Tech will obtain forgiveness of the 2021 Loan in whole or in part. The Tech will be obligated to repay any portion of the principal amount of the 2021 Note that is not forgiven, together with accrued interest, until such unforgiven portion is paid in full. Accrued interest at June 30, 2021 was not material.

9. Lease Arrangements

*Operating Leases:*

The Tech leases a facility in San Jose, California under a non-cancelable operating lease agreement expiring in December 2023. The facility rent expense was $69,000 in fiscal 2021 ($66,000 in fiscal 2020).

9. Lease Arrangements (continued)

*Operating Leases:* (continued)

The Tech leases an exhibit (Body Worlds Decoded) under a non-cancelable operating lease agreement, which expires in June 2027. The exhibit rent expense was $395,000 in fiscal 2021 and 2020.

Future minimum lease payments under these operating leases are as follows:

| | |
|---|---|
| Years ending June 30, | |
| 2022 | $ 461,000 |
| 2023 | 465,000 |
| 2024 | 431,000 |
| 2025 | 395,000 |
| 2026 | 395,000 |
| Thereafter | 362,000 |
| Total | $ 2,509,000 |

*Capital Leases:*

In July 2018, The Tech purchased $11,000 of equipment under a capital lease agreement with no interest payments through July 2021. The net book value of the equipment financed under the capital lease was $1,600 at June 30, 2021 ($4,100 at June 30, 2020). Future minimum lease payments under the capital lease are $1,600 in fiscal year 2022.

10. Commitments and Contingencies

In fiscal 2018, The Tech purchased a laser dome theater system for $1,600,000 for the development and operation of a state of the art IMAX theater, which was recorded as equipment at June 30, 2021 and 2020. The purchase agreement allows The Tech to operate the theater under a ten-year license agreement with IMAX and provides The Tech an option to renew the license for an additional five years. The option is contingent on the payment of the amount IMAX estimates it would incur to refurbish and upgrade the theater system to the then current IMAX technology. The agreement also includes an annual maintenance fee of $55,000 per year. The Tech is also subject to additional payments based on 5% of annual gross IMAX revenues over $1,000,000. The Tech did not incur any additional rent in fiscal 2021 or 2020.

10. Commitments and Contingencies (continued)

*Coronavirus Global Outbreak:*

The global outbreak of the novel coronavirus continues to be an evolving situation. The virus has disrupted much of society, impacted global travel and supply chains, adversely impacted global and domestic commercial activity in most industries. The development and fluidity of this situation precludes any prediction as to its ultimate impact, which may continue to have an adverse effect on the economic and market conditions and trigger an extended period of global economic shutdown. The uncertainties arising from the virus may present business risks with respect to The Tech and its future financial results.

The Tech was required to close in March 2020 as a result of the pandemic and re-opened in May 2021. Certain program-related costs such as salaries were able to continue with the funding of the PPP loan program; however, other program-related costs, such as supplies and services, were halted due to the closure. The Tech also had a large increase in administrative costs resulting from the development of the Parkside Hall project, which continues in spite of the closure. These factors have contributed to reduce the Tech's program ratio in the Statements of Functional Expenses below the proportions typically incurred.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted by donors by time or for the purposes described below. Net assets with donor restrictions consist of the following at June 30:

| | 2021 | 2020 |
|---|---|---|
| Beneficial interest in use of facilities | $ 42,012,005 | $ 42,391,322 |
| Tech 3.0 | 7,737,309 | 9,849,751 |
| Tech Challenge | 444,079 | 523,729 |
| Title One | 435,382 | 50,000 |
| Tech for Global Good | 190,120 | 144,171 |
| Education Programs | 126,500 | 186,000 |
| Receivables | 3,684,739 | 5,177,470 |
| Undesignated endowment income | 10,584,973 | 4,778,615 |
| Investments held in perpetuity | 16,715,706 | 16,715,706 |
| | $ 81,930,813 | $ 79,816,764 |

## 12. Net Assets Released from Restrictions

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. Net assets were released from restrictions as follows for fiscal year:

| | 2021 | 2020 |
|---|---|---|
| Operations | $ 7,850,295 | $ 8,997,323 |
| Designated endowment income | 776,987 | 762,992 |
| Beneficial interest in use of facility | 379,317 | 1,215,812 |
| | $ 9,006,598 | $ 10,976,127 |

## 13. Endowment

The Tech's endowment consists of contributions receivable or received, which are permanently restricted in perpetuity by the donors. As required under GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Tech has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original donor gift restricted in perpetuity, absent explicit donor stipulations to the contrary. As a result of this interpretation, The Tech classifies net assets restricted in perpetuity as: (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment. The remaining portion of the donor-restricted endowment that is not restricted in perpetuity is classified as net assets with donor restrictions (Note 11) until those amounts are appropriated for expenditure by The Tech in a manner consistent with the standard of prudence prescribed by SPMIFA. Once appropriated, these amounts are classified as net assets without donor restrictions.

13. Endowment (continued)

In accordance with SPMIFA, The Tech considers the following factors in appropriating or accumulating donor-restricted endowment assets:

(1) The duration and preservation of the fund;
(2) The purposes of The Tech and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of The Tech;
(7) The Tech's investment policies.

Endowment assets consist of the following at June 30, 2021:

| | | |
|---|---|---|
| Endowment Funds Restricted in Perpetuity | $ | 16,715,706 |
| Undesignated Endowment Income | | 10,584,973 |
| | $ | 27,300,679 |

Endowment assets consist of the following at June 30, 2020:

| | | |
|---|---|---|
| Endowment Funds Restricted in Perpetuity | $ | 16,715,706 |
| Undesignated Endowment Income | | 4,778,615 |
| | $ | 21,494,321 |

Changes in endowment assets for fiscal 2021 are as follows:

| | | |
|---|---|---|
| Endowment Assets, beginning of year | $ | 21,494,321 |
| Net appreciation | | 6,583,345 |
| Appropriated for expenditure | | (776,987) |
| Endowment Assets, end of year | $ | 27,300,679 |

Changes in endowment assets for fiscal 2020 are as follows:

| | | |
|---|---|---|
| Endowment Assets, beginning of year | $ | 21,312,919 |
| Net appreciation | | 947,394 |
| Appropriated for expenditure | | (762,992) |
| Endowment Assets, end of year | $ | 21,494,321 |

13. Endowment (continued)

The Tech has adopted an investment policy for endowment assets with the primary objectives to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support. Under this policy, the investments are diversified to help minimize the overall risk of the portfolio. On an annualized, net-of-fee basis, the total return of the portfolio will be expected to equal or exceed the spending rate (targeted at a minimum of 5% per annum) plus inflation based on the consumer price index over a rolling five-year period. Additionally, the returns should show favorable, relative performance characteristics.

It is The Tech's policy, subject to maximum distribution defined as 5% of the three-year moving average fair value of the endowment assets, to determine the appropriate annual cash distribution from the endowment to support its operations; however, in no event will the spending policy adopted result in the fair value of the endowment to be less than the amount the donor or SPMIFA requires to be held in perpetuity.

14. Related Parties

The Tech's Board is active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board or from companies with which Board members are affiliated with were $1,845,000 in fiscal 2021 ($4,056,000 in fiscal 2020). Amounts due from the Board and affiliates are $30,000 at June 30, 2021 ($98,000 at June 30, 2020).

15. Employee Benefit Plan

The Tech has a defined contribution retirement plan covering substantially all employees. The purpose of the plan is to provide retirement benefits for participating employees on a tax-deferred basis. The Tech did not make contributions to the plan in fiscal 2021 or 2020.

16. Subsequent Events

In August and September 2021, The Tech received distributions from the investment funds of $264,000. Management has applied these distributions against future capital commitments.

Subsequent events have been evaluated through October 31, 2021, which is the date the financial statements were approved by The Tech and available to be issued.