



# **The Tech Museum of Innovation**

**Financial Statements  
December 31, 1994 and 1993**

*Price Waterhouse LLP*



**Report of Independent Accountants**

August 4, 1995

To the Board of Directors of  
the Tech Museum of Innovation

In our opinion, the accompanying balance sheets and the related statements of support and revenue, expenses and changes in fund balances and of cash flows present fairly, in all material respects, the financial position of the Tech Museum of Innovation at December 31, 1994 and 1993, and the results of its operations and its cash flows for the years then ended 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 audits. We conducted our audits 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 audits provide a reasonable basis for the opinion expressed above.

*Price Waterhouse LLP*

# The Tech Museum of Innovation

## Balance Sheets

### December 31, 1994 and 1993

	December 31, 1994				December 31, 1993				
	Operating Fund	Permanent Facility Funds Unrestricted	Restricted	Capital Fund	Operating Fund	Permanent Facility Funds Unrestricted	Restricted	Capital Fund	Total
<b>ASSETS</b>									
Current assets:									
Cash and cash equivalents	\$ 101,000	\$ 1,481,000	\$ 390,000	\$ -	\$ 36,000	\$ 22,000	\$ 289,000	\$ -	\$ 347,000
Receivable from the sale of short-term investments	-	283,000	-	-	-	270,000	-	-	270,000
Short-term investments	-	42,000	-	-	-	131,000	-	-	131,000
Grants receivable, prepaids and other	30,000	36,000	2,000	-	21,000	115,000	2,000	20,000	158,000
Inventory	52,000	-	-	-	30,000	-	-	-	30,000
<b>Total current assets</b>	<b>183,000</b>	<b>1,842,000</b>	<b>392,000</b>	<b>-</b>	<b>87,000</b>	<b>538,000</b>	<b>291,000</b>	<b>20,000</b>	<b>936,000</b>
Property and equipment:									
Exhibits and furnishings	-	-	-	6,582,000	-	-	-	6,581,000	6,581,000
Furniture, fixtures and equipment	-	-	-	541,000	-	-	-	392,000	392,000
Leasehold improvements	-	-	-	1,956,000	-	-	-	1,950,000	1,950,000
Less: accumulated depreciation	-	-	-	(7,805,000)	-	-	-	(5,908,000)	(5,908,000)
	-	-	-	1,274,000	-	-	-	3,015,000	3,015,000
Construction-in-progress	6,000	65,000	137,000	-	6,000	65,000	137,000	-	208,000
Other assets	35,000	-	30,000	-	-	-	30,000	-	30,000
	<b>\$ 224,000</b>	<b>\$ 1,907,000</b>	<b>\$ 559,000</b>	<b>\$ 1,274,000</b>	<b>\$ 93,000</b>	<b>\$ 603,000</b>	<b>\$ 458,000</b>	<b>\$ 3,035,000</b>	<b>\$ 4,189,000</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Current liabilities:									
Accounts payable and accrued expenses	\$ 97,000	\$ 113,000	\$ 3,000	\$ -	\$ 62,000	\$ 54,000	\$ 6,000	\$ -	\$ 122,000
Deferred restricted contributions	100,000	-	855,000	-	88,000	-	725,000	-	813,000
	197,000	113,000	858,000	-	150,000	54,000	731,000	-	935,000
<b>Total current liabilities</b>	<b>575,000</b>	<b>(225,000)</b>	<b>(350,000)</b>	<b>-</b>	<b>536,000</b>	<b>974,000</b>	<b>(467,000)</b>	<b>(1,043,000)</b>	<b>-</b>
Net interfund (receivable)/payable (Note 3)									
Commitments (Note 6)									
	(548,000)	2,019,000	51,000	1,274,000	(593,000)	(425,000)	194,000	4,078,000	3,254,000
<b>Fund balances</b>	<b>\$ 224,000</b>	<b>\$ 1,907,000</b>	<b>\$ 559,000</b>	<b>\$ 1,274,000</b>	<b>\$ 93,000</b>	<b>\$ 603,000</b>	<b>\$ 458,000</b>	<b>\$ 3,035,000</b>	<b>\$ 4,189,000</b>

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

# The Tech Museum of Innovation

## Statements of Support and Revenue, Expenses and Changes in Fund Balances

### For the Year Ended December 31, 1994 and 1993

	December 31, 1994				December 31, 1993				
	Operating Fund	Permanent Unrestricted	Facility Restricted	Capital Fund	Operating Fund	Permanent Unrestricted	Facility Restricted	Capital Fund	Total
<b>Support and revenue:</b>									
Contributions	\$ 933,000	\$2,093,000	\$ 488,000	\$ -	\$ 846,000	\$ 448,000	\$ 651,000	\$ 22,000	\$ 1,967,000
Donated property, services and rent	202,000	152,000	-	-	259,000	65,000	-	17,000	341,000
Federal awards	83,000	-	-	-	227,000	-	-	-	227,000
Admissions and fees	567,000	-	-	-	533,000	-	-	-	533,000
Store revenue	185,000	-	-	-	139,000	-	-	-	139,000
Other income	63,000	51,000	-	-	53,000	14,000	-	-	67,000
<b>Total support and revenue</b>	<b>2,033,000</b>	<b>2,296,000</b>	<b>488,000</b>	<b>-</b>	<b>2,057,000</b>	<b>527,000</b>	<b>651,000</b>	<b>39,000</b>	<b>3,274,000</b>
<b>Expenses:</b>									
Exhibits and programs	1,192,000	254,000	580,000	1,897,000	1,010,000	79,000	541,000	1,869,000	3,499,000
Development and public relations	664,000	291,000	27,000	-	882,000	162,000	55,000	-	1,099,000
Administration	110,000	236,000	24,000	-	139,000	165,000	52,000	1,000	357,000
<b>Total expenses</b>	<b>1,966,000</b>	<b>781,000</b>	<b>631,000</b>	<b>1,897,000</b>	<b>2,031,000</b>	<b>406,000</b>	<b>648,000</b>	<b>1,870,000</b>	<b>4,955,000</b>
<b>Excess (deficiency) of support and revenue over expenses</b>	<b>67,000</b>	<b>1,515,000</b>	<b>(143,000)</b>	<b>(1,897,000)</b>	<b>26,000</b>	<b>121,000</b>	<b>3,000</b>	<b>(1,831,000)</b>	<b>(1,681,000)</b>
Beginning fund balances	(593,000)	(425,000)	194,000	4,078,000	(579,000)	(546,000)	195,000	5,865,000	4,935,000
Add (deduct) interfund transfers (Note 3)	(22,000)	929,000	-	(907,000)	(40,000)	-	(4,000)	44,000	-
<b>Ending fund balance</b>	<b>\$ (548,000)</b>	<b>\$2,019,000</b>	<b>\$ 51,000</b>	<b>\$ 1,274,000</b>	<b>\$ (593,000)</b>	<b>\$ (425,000)</b>	<b>\$ 194,000</b>	<b>\$ 4,078,000</b>	<b>\$ 3,254,000</b>

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

**The Tech Museum of Innovation**  
**Statements of Cash Flows**

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	<b>Year ended December 31,</b>	
	<b>1994</b>	<b>1993</b>
<b>Cash flows from operating activities:</b>		
Deficiency of support and revenue over expenses	\$ (458,000)	\$ (1,681,000)
Adjustments to reconcile deficiency of support and revenue over expenses to net cash provided by (used in) operating activities:		
Depreciation	1,897,000	1,869,000
Donated equipment	(91,000)	(52,000)
Changes in assets and liabilities:		
Receivable from the sale of short-term investments	(13,000)	(270,000)
Grants receivable, prepaids and other	90,000	(47,000)
Inventory	(22,000)	(5,000)
Other assets	(35,000)	10,000
Accounts payable and accrued expenses	91,000	(20,000)
Deferred restricted contributions	<u>142,000</u>	<u>424,000</u>
Net cash provided by operating activities	1,601,000	228,000
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(65,000)	(16,000)
Sale of short-term investments	<u>89,000</u>	<u>(131,000)</u>
Net cash provided by (used in) investing activities	24,000	(147,000)
Net increase in cash and cash equivalents	1,625,000	81,000
Cash and cash equivalents, beginning of year	<u>347,000</u>	<u>266,000</u>
Cash and cash equivalents, end of year	<u>\$ 1,972,000</u>	<u>\$ 347,000</u>

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

**The Tech Museum of Innovation**  
**Notes to Financial Statements**  
**December 31, 1994 and 1993**

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**1. The Museum and Its Significant Accounting Policies**

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

The Tech 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 Tech's temporary science museum until the permanent facility is completed. The Tech commenced operations at the temporary facility in the fall of 1990.

**Fund accounting**

The accounts of The Tech have been prepared using the accrual basis of accounting and in accordance with the principles of fund accounting to ensure observance of limitations and restrictions placed on the use of certain resources available to The Tech. 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 Tech are reported in four self-balancing fund groups as follows:

*Operating fund*

The individual funds grouped in the Operating Fund for financial statement presentation are The Tech Fund, Store Fund and the Endowment Fund.

Tech Fund. The Tech Fund consists primarily of expenses incurred in the operation of The Tech as well as revenues earned in admissions and fees and contributions received to support the general operations of The Tech. The Tech Fund balance was \$(577,000) and \$(575,000) at December 31, 1994 and 1993, respectively.

Store Fund. 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 \$(42,000) and \$(53,000) at December 31, 1994 and 1993, respectively.

Endowment Fund. Endowment funds received from a private foundation in 1993 are recorded in the Endowment Fund. The Tech may not expend the endowment principal, however, any income derived from the investment of such funds may be used to support The Tech's educational programs. The Endowment Fund balance was \$71,000 and \$35,000 at December 31, 1994 and 1993, respectively.

*Unrestricted and Restricted Permanent Facility Funds*

The San Jose Redevelopment Agency (SJRDA) Fund has been grouped in the Restricted Permanent Facility Fund for financial statement presentation.

**The Tech Museum of Innovation**  
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Unrestricted and Restricted Permanent Facility Funds. The Unrestricted and Restricted Permanent Facility Funds represent the portion of expendable funds that are available for support of The Tech's development of a permanent building facility and exhibits. Permanent Facility funds restricted by the donor for particular purposes are deemed to be earned and reported as revenues of the respective Permanent Facility Fund when The Tech has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred restricted contributions. The Unrestricted Permanent Facility Fund balance was \$2,019,000 and \$(425,000) at December 31, 1994 and 1993, respectively. The Restricted Permanent Facility Fund balance was \$195,000 at December 31, 1994 and 1993, respectively.

SJRDA Fund. In June 1994, The Tech changed an agreement (the Agreement) with the SJRDA regarding the construction of the permanent facility. In accordance with the Agreement, the SJRDA will construct the permanent facility and lease it to The Tech for a nominal fee. The Agreement also provides that the SJRDA will contribute funds to The Tech for the purpose of site preparation and building design related to the construction of the permanent facility. Such funds received are recorded in the SJRDA Fund. When the funds are expended, equal amounts of revenue and expense are recognized in the Restricted Permanent Facility Fund. The SJRDA has cumulatively advanced \$1,770,000 to The Tech, of which \$275,000 was received and recorded as contributions during 1994. In addition, The Tech has incurred \$9,000 of unreimbursed qualified expenditures during 1993 for which The Tech has recorded a receivable from the SJRDA at December 31, 1994. The SJRDA Fund balance was \$(144,000) and \$(1,000) at December 31, 1994 and 1993, respectively.

*Capital Fund*

The individual funds grouped in the Capital Fund for financial statement presentation are the Capital Equipment Fund and the San Jose Citizen's Committee (SJCC) Fund.

Capital Equipment Fund. Donations of property and equipment for use in The Tech's public programs are recorded in the Capital Equipment Fund. Additionally, funds expended for property and equipment used by The Tech in administering its operations are recorded in the Capital Equipment Fund. The Capital Equipment Fund balance was \$1,274,000 and \$3,015,000 at December 31, 1994 and 1993, respectively.

SJCC Fund. In January 1988, The Tech finalized an agreement with the SJCC regarding a joint fund-raising campaign, which has been in progress since 1984, the goal of which is to obtain donations totalling \$10,000,000 to be applied to the development of the permanent facility. This agreement was changed and amended in June 1994, and proceeds received in the fund, totaling \$1,063,000, was transferred to the Unrestricted Permanent Facility Fund during 1994. The SJCC Fund balance was \$0 and \$1,063,000 at December 31, 1994 and 1993, respectively.

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**Cash equivalents**

The Tech considers all amounts deposited in interest bearing checking accounts to be cash equivalents.

**Short-term investments**

Short-term investments consist primarily of U.S. Treasury Bills and corporate stocks. For contributed investments, cost is determined by the market value at the date of donation.

**Concentration of credit risk**

Financial instruments that potentially subject The Tech to significant concentrations of credit risk consist principally of bank deposits, short-term investments and other receivables. The Tech places its cash primarily in checking and market rate accounts and U.S. Treasury Bills.

**Inventory**

Inventory consists principally of 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 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 which range from 3-5 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.

**Construction-in-progress**

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

**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.

**Donated property, services and rent**

The Tech includes the estimated fair value of certain donated services and facility space as both support and expense in the periods that the benefit of such services and facility space are realized. Equipment donated with specific provisions for its use is recognized as support and expense over the shorter of the restriction period or the estimated useful life of the equipment.

**Pledges, contributions and grants**

Legally enforceable pledges less an allowance for uncollectible amounts are recorded as pledges in the year made. Pledges for support of current operations are recorded in the



**The Tech Museum of Innovation**  
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Operating Fund as support. Pledges for support of future operations, development of the permanent facility, and plant acquisitions are recorded as deferred amounts in the respective funds to which they apply.

In June 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 116 (FAS 116), "Accounting for Contributions Received and Contributions Made" and No. 117 (FAS 117), "Financial Statements of Not-for-Profit Organizations." FAS 116 and FAS 117 will change how pledges, contributions and grants (contributions) are recorded and disclosed in the financial statements. Currently, conditional contributions are recorded as Deferred Restricted Contributions in the balance sheets until the condition is removed. At December 31, 1994, \$955,000 is recorded as Deferred Restricted Contributions. Under FAS 116 and FAS 117 this amount and future conditional contributions will be immediately recorded as Temporarily Restricted Support in the Statements of Support and Revenue, Expenses and Changes in Fund Balances, of the appropriate fund, when the contribution is made, with a corresponding increase in a Temporarily Restricted Fund Balance. As terms of the contribution are met, corresponding amounts will be transferred from the Temporarily Restricted Fund Balance to the Unrestricted Fund Balance. The Tech will adopt FAS 116 and FAS 117 in fiscal year 1995.

**2. Related Party Transactions**

For the years ended December 31, 1994 and 1993, The Tech received cash contributions and equipment donations amounting to \$1,532,000 and \$2,701,000, respectively, from members of the Board of Directors of The Tech or companies with which the Board of Directors are affiliated.

**3. Interfund Borrowings and Transfers**

At December 31, 1994, the Operating interfund payable consists of net loans from the Unrestricted Permanent Facility Fund to The Tech Fund and the Store Fund of \$592,000 and \$77,000, respectively, net of a receivable from the Restricted Tech Fund of \$94,000 for use in funding The Tech's operations. The Restricted Permanent Facility Fund interfund receivable consists of loans to the Unrestricted Permanent Facility Fund of \$493,000, net of a loan from the the SJRDA Fund of \$143,000.

Interfund transfers for the year ended December 31, 1994 consist of transfers of property and equipment at cost, less accumulated depreciation, from The Tech Fund and the Restricted Permanent Facility Fund totaling \$23,000 and \$134,000, respectively, to the Capital Equipment Fund, and an elimination of a loan of \$1,063,000 from the SJCC Fund to the Unrestricted Permanent Facility Fund.

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**4. Pledges**

The Tech has outstanding pledges of \$6,103,000 at December 31, 1994. These pledges are not considered legally enforceable and therefore have not been recorded in the financial statements. Collectibility of \$500,000 of the balance is contingent upon the receipt of an irrevocable funding commitment of \$20,000,000 from the City of San Jose. Collectibility of the remaining balance is not contingent upon future events. The pledges have been designated for use in the development of the permanent site and related exhibits.

**5. Income Taxes**

Pursuant to an IRS ruling under Internal Revenue Code Section 501(c)(3) and comparable California statutes, The Tech is a tax-exempt non-profit publicly supported benefit corporation. As such, The Tech's income is not subject to tax, except for income from unrelated business activities. The provision for tax on unrelated business income is nominal.

**6. Commitments**

During 1994, The Tech entered into two five-year noncancelable operating leases for office and storage space which expire on June 30, 1999. Future minimum noncancelable lease payments under The Tech's leases are as follows:

**Year ending  
December 31,**

1995	\$ 100,000
1996	116,000
1997	126,000
1998	135,000
1999	<u>68,000</u>
	<u>\$ 545,000</u>

In 1994, the total rent expense was \$42,000.