

THE TECH MUSEUM
OF INNOVATION

Financial Statements
June 30, 2007

Together with
Independent Auditors' Report

THE TECH MUSEUM OF INNOVATION

TABLE OF CONTENTS

June 30, 2007

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 14

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Tech Museum of Innovation

We have audited the accompanying statement of financial position of The Tech Museum of Innovation (the "Organization", a California public benefit corporation) as of June 30, 2007 and the related statement of activities and changes in net assets and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization at June 30, 2007, and the results of its activities and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



San Jose, California
October 26, 2007

THE TECH MUSEUM OF INNOVATION

Statement of Financial Position

June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 501,599	\$ 1,322,471	\$ 8,515	\$ 1,832,585
Investments	961,636	-	12,592,880	13,554,516
Other receivables	170,473	805,014	29,612	1,005,099
Prepaid expenses and other assets	331,955	-	-	331,955
Pledges receivable, net	-	-	235,864	235,864
Receivable for contributed use of facility, net	-	21,841,746	-	21,841,746
Property and equipment, net	<u>8,391,056</u>	<u>-</u>	<u>-</u>	<u>8,391,056</u>
	<u>\$ 10,356,719</u>	<u>\$ 23,969,231</u>	<u>\$ 12,866,871</u>	<u>\$ 47,192,821</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 739,209	\$ -	\$ -	\$ 739,209
Loan payable	27,173	-	-	27,173
Deferred revenue	<u>264,290</u>	<u>-</u>	<u>-</u>	<u>264,290</u>
Total liabilities	<u>1,030,672</u>	<u>-</u>	<u>-</u>	<u>1,030,672</u>
Commitments				
Net assets:				
Unrestricted:				
Undesignated	(510,225)	-	-	(510,225)
Designated for property and equipment	8,391,056	-	-	8,391,056
Designated for reinvestment	1,445,216	-	-	1,445,216
Temporarily restricted	-	23,969,231	-	23,969,231
Permanently restricted	<u>-</u>	<u>-</u>	<u>12,866,871</u>	<u>12,866,871</u>
Total net assets	<u>9,326,047</u>	<u>23,969,231</u>	<u>12,866,871</u>	<u>46,162,149</u>
	<u>\$ 10,356,719</u>	<u>\$ 23,969,231</u>	<u>\$ 12,866,871</u>	<u>\$ 47,192,821</u>

The accompanying notes are an integral part of these financials

THE TECH MUSEUM OF INNOVATION**Statement of Activities and Changes in Net Assets**

Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support, revenue and gains:				
Public support	\$ 1,300,000	\$ -	\$ -	\$ 1,300,000
Contributed support and special events, net of allowance and net present value adjustment	4,926,550	2,158,171	(58,511)	7,026,210
Donated property, services and rent	-	1,689,816	-	1,689,816
Admissions and fees	2,189,587	-	-	2,189,587
Store revenue	169,155	-	-	169,155
Federal awards	313,246	-	-	313,246
Dividend and interest income	485,919	-	-	485,919
Realized/unrealized gains on investments, net	1,453,604	-	-	1,453,604
Net assets released from restriction	<u>4,330,022</u>	<u>(2,830,022)</u>	<u>(1,500,000)</u>	<u>-</u>
 Total support, revenue and gains	<u>15,168,083</u>	<u>1,017,965</u>	<u>(1,558,511)</u>	<u>14,627,537</u>
 Expenses:				
Program services:				
Exhibits, programs, and experiences	7,503,458	-	-	7,503,458
Visitor services	1,207,373	-	-	1,207,373
Education	550,359	-	-	550,359
Supporting services:				
Fundraising and special events	1,505,860	-	-	1,505,860
Membership	284,803	-	-	284,803
Management and general:				
Marketing and public relations	727,222	-	-	727,222
Administration	<u>1,988,706</u>	<u>-</u>	<u>-</u>	<u>1,988,706</u>
 Total expenses	<u>13,767,781</u>	<u>-</u>	<u>-</u>	<u>13,767,781</u>
 Change in net assets	1,400,302	1,017,965	(1,558,511)	859,756
 Net assets at beginning of year	<u>7,925,745</u>	<u>22,951,266</u>	<u>14,425,382</u>	<u>45,302,393</u>
 Net assets at end of year	<u>\$ 9,326,047</u>	<u>\$ 23,969,231</u>	<u>\$ 12,866,871</u>	<u>\$ 46,162,149</u>

The accompanying notes are an integral part of these financials

THE TECH MUSEUM OF INNOVATION

Statement of Cash Flows

Year Ended June 30, 2007

Cash flows from operating activities:	
Change in net assets	\$ 859,756
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,711,232
Provision for estimated uncollectible contributed support	(10,500)
Present value adjustment, net	(37,575)
Contributions restricted for investment in endowment	1,558,511
Realized and unrealized gain on investments	(1,453,604)
Changes in operating assets and liabilities:	
Grants receivable	12,694
Other receivables	(307,270)
Prepaid expenses and other assets	315,319
Support receivables	298,997
Accounts payable and accrued expenses	71,203
Deferred revenue	<u>(48,972)</u>
Net cash provided by operating activities	<u>2,969,791</u>
Cash flows from investing activities:	
Purchases of property and equipment	(603,286)
Purchases of investments	(1,191,887)
Proceeds from sales of investments	<u>874,759</u>
Net cash used in investing activities	<u>(920,414)</u>
Cash flows from financing activities:	
Net release for investment in endowment	(1,558,511)
Proceeds from line of credit	250,000
Payment on line of credit	(1,450,000)
Payment on loan payable	<u>(4,718)</u>
Net cash used by financing activities	<u>(2,763,229)</u>
Net decrease in cash and cash equivalents	(713,852)
Cash and cash equivalents, beginning of year	<u>2,546,437</u>
Cash and cash equivalents, end of year	<u>\$ 1,832,585</u>

The accompanying notes are an integral part of these financials

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 1 - Organization and operations:

The Tech Museum of Innovation (“The Tech” or the “Organization”) 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. The Tech’s support and revenue comes primarily through contributions, admissions and fees, federal awards, and investment income.

The Tech is an educational resource established to engage people of all ages and backgrounds in exploring and experiencing the technologies affecting their lives, and to inspire young people to become innovators in the technologies of tomorrow.

The Tech has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Tech is required to report information regarding its financial position and activities according to three classes of net assets:

- ◆ *Unrestricted net assets* are available to support all activities of The Tech without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.
- ◆ *Temporarily restricted net assets* represent contributions whose use is limited to donor-imposed stipulations that expire by the passage of time or other restrictions and for which the applicable restriction was not met as of the end of the current reporting period.
- ◆ *Permanently restricted net assets* are restricted by the donor for investment in perpetuity, such as endowments. As determined by The Tech, the income from such invested assets, including realized and unrealized capital gains, is available to support the activities of The Tech at a rate of 5% of the total invested assets in the endowment, applied on a quarterly basis, as long as the market value of the invested assets is the same as, or greater than, the original investment value.

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 2 - Summary of significant accounting policies (continued):

Cash and cash equivalents - The Tech considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - All debt securities and equity securities with readily determinable fair values are carried at estimated fair value based on quoted market prices. Contributions of investments are recorded at estimated fair value at the date of donation. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur as part of unrestricted net assets. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year. Dividend and interest income are accrued when earned.

The investments owned that represent securities that are not publicly traded, are stated at estimated fair value as determined by the investment manager. In establishing the estimated fair value, the investment manager may give consideration to the cost basis of the security, developments concerning the issuing company subsequent to the acquisition of such security, financial data and projections of the issuing company, and such other factors as the investment manager deems relevant. The investment manager's estimate and assumption of fair value of the private placement security may differ significantly from the value that would have been used had a ready market existed, and the difference could be material.

Prepaid expenses and other assets - Prepaid expenses and other assets include payments on a 10-year lease commitment for the IMAX theatre, prepaid in 1998, with a remaining balance of approximately \$271,000 (see Note 14).

Pledges receivable - Pledges are predominantly associated with amounts receivable for The Tech's endowment. Pledges that are expected to be collected after one year have been discounted at 6%. An allowance reserve for uncollectible pledges has been established utilizing a 2% factor. The financial statements reflect these pledges net of the discount and allowance reserve.

Property and equipment - Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of \$3,000 are capitalized. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 2 - Summary of significant accounting policies (continued):

Donated property, services and rent - Contributions-in-kind are recognized in accordance with Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which The Tech would have paid for if not contributed, have been recorded at their estimated fair market value. In addition, a substantial number of volunteers have donated significant amounts of time in The Tech's program services and fund-raising activities. The value of donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

Contributions-in-kind include the following for the year ended June 30, 2007:

Contributed services:	
Management and general	
Legal	\$ 4,000
Catering	2,888
Total contributed services	<u>6,888</u>
Contributed property and equipment	366,599
Contributed use of facilities	<u>1,316,329</u>
Total	<u>\$ 1,689,816</u>

Revenue recognition - The Tech's revenue recognition policy is in accordance with SFAS 116. Contributed support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other contributed support is recognized as revenue when received or un-conditionally promised. The Tech reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

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

Supplemental cash flow information - Interest payments included in the Statement of Cash Flows were \$44,183 for the year ended June 30, 2007.

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 2 - Summary of significant accounting policies (continued):

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 in accordance with the Single Audit Act and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" ("A-133 audit"). Although such audits could result in expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

The Tech was not subject to an A-133 audit for the year ended June 30, 2007.

Functional expense allocations - 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.

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

Fair value of financial instruments - Financial instruments included in the Organization's Statement of Financial Position as of June 30, 2007 include cash and cash equivalents, investments, contributions receivable, accounts payable and accrued expenses. For cash and cash equivalents, contributions receivable, accounts payable, and accrued expenses, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying Statement of Financial Position at their estimated fair values using methodologies described above.

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 2 - Summary of significant accounting policies (continued):

Concentration of credit risk - Financial instruments that potentially subject The Tech to credit risk consist primarily of cash, cash equivalents, investments, and contributed support receivable. The Tech maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments, bonds with maturities of 90 days or less, and money market funds. At times, such amounts might exceed FDIC limits. The Tech's investments have been placed with high quality financial institutions. The Tech closely monitors these investments and has not experienced significant credit losses.

The credit risk in contributed support receivable is mitigated by the fact that generally the pledges are made by local donors and are evaluated by The Tech based on the knowledge of the donors. Additionally, any contributed support receivable that is expected to be collected after one year has been discounted and is reflected in the financial statements at its net present value. It is The Tech's opinion that it is not exposed to any significant credit risks.

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the year ended June 30, 2007 was approximately \$761,000.

Recent Accounting Pronouncements - In September 2006, FASB issued No. 157, "Fair Value Measurements", (effective beginning after November 15, 2007). This new standard provides guidance for measuring fair value of assets and liabilities. The Tech does not anticipate that the adoption of FAS No. 157 will have a material impact on the Organization's financial position, results of operations, or cash flows.

In February 2007, FASB issued No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115", (effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The Tech does not anticipate that the adoption of FAS No. 157 will have a material impact on the Organization's financial position, results of operations, or cash flows.

Other accounting standards that have been issued or proposed by FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Organization's financial statements upon adoption.

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 3 - Investments:

The Tech's investments consisted of the following at June 30, 2007:

Equity funds	\$	9,924,519
U.S. Treasury bonds and notes		2,462,340
Corporate bonds and notes		588,490
Venture capital funds		550,742
Money market funds		28,425
Total	\$	<u>13,554,516</u>

The following schedule summarizes the investment returns for the year ended June 30, 2007:

Dividend and interest income	\$	485,919
Net realized / unrealized gains		1,486,808
Investment related expenses		<u>(33,204)</u>
Total	\$	<u>1,939,523</u>

The Tech has a commitment under a venture partnership agreement to make capital contributions of approximately \$94,000 at June 30, 2007.

Note 4 - Pledges receivable and contributed use of facility:

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

Years Ending June 30,	Pledges Receivable	Contributed Use of Facility
2008	\$ 181,000	\$ 1,404,000
2009	81,000	1,404,000
2010	-	1,404,000
2011	-	1,404,000
2012	-	1,404,000
Thereafter	-	58,266,000
	262,000	65,286,000
Less discount for present value	(19,396)	(43,444,254)
Less allowance for estimated uncollectible contributed support	<u>(6,740)</u>	-
Total	<u>\$ 235,864</u>	<u>\$ 21,841,746</u>

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 4 - Pledges receivable and contributed use of facility (continued):

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). With the adoption of the *1996 AICPA Audit and Accounting Guide for Not-for-Profit Organizations*, the Tech recognized contribution revenue and a receivable for the present value of the promise for rent-free use of the facility with the annual maturity of contributed support receivable recognized as rent expense.

Note 5 - Property and equipment:

Property and equipment consisted of the following at June 30, 2007:

Exhibits	\$	23,558,932
Leasehold improvements		9,967,818
Furniture, fixtures and improvements		<u>7,973,432</u>
Total		41,500,182
Less: accumulated depreciation and amortization		<u>(33,109,126)</u>
Property and equipment, net	\$	<u><u>8,391,056</u></u>

Note 6 - Temporarily restricted net assets:

Temporarily restricted net assets were available for the following purposes at June 30, 2007:

Use of facilities	\$	21,841,746
Special projects		1,252,983
Operations		<u>874,502</u>
Total temporarily restricted net assets	\$	<u><u>23,969,231</u></u>

Note 7 - Temporarily restricted net assets released from restrictions:

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2007 as follows:

Use of facilities	\$	1,404,000
Educational programs		96,928
Special projects		457,072
Operations		<u>872,022</u>
Total temporarily restricted net assets released from restrictions	\$	<u><u>2,830,022</u></u>

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 8 - Permanently restricted net assets:

Permanently restricted net assets consist of endowment fund investments that represent the principal amounts of gifts and bequests accepted with donor stipulation that the principal be maintained intact in perpetuity, with only the income to be utilized for operations.

The decrease in permanently restricted net assets at June 30, 2007 is as follows:

Released from restriction	\$ (1,500,000)
Restricted pledges received	15,500
Pledges deemed uncollectible and present value adjustment	<u>(74,011)</u>
Change in permanently restricted net assets	\$ <u><u>(1,558,511)</u></u>

During 2007, two donors released their restrictions on \$1,500,000 of prior year contributions.

Note 9 - Related party transactions:

The Tech's volunteer members of the Board of Directors are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board of Directors or from companies with which the Board of Directors are affiliated were approximately \$2,593,000 for the year ended June 30, 2007.

Of the total pledges receivable, net, amounts due from the Board of Directors or from companies with which the Board of Directors are affiliated were approximately \$187,000 at June 30, 2007.

The Tech has a less than 10% investment in a partnership in which one of the members of the Board of Directors is an owner. The fair value of this investment was \$550,742 at June 30, 2007.

Note 10 - Loan payable:

Loan payable represents a financing arrangement with Premium Financing Specialists of California, Inc. for the Tech's insurance premiums. The loan bears an interest rate of 7.5% and requires monthly payments of approximately \$14,000. At June 30, 2007, future minimum payments are \$27,173.

Note 11 - Line of credit:

The Tech has a line of credit agreement, expiring October 15, 2007, with Bank of America. Borrowings under the agreement bear interest at the bank's prime rate (8.25% at June 30, 2007). At June 30, 2007, there was no outstanding balance.

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 12 - Major contributions:

For the year ended June 30, 2007, eight donors accounted for 43% of contributed support.

Note 13 - Retirement plan:

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 did not make any contributions for the year ended June 30, 2007.

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 \$28,425 at June 30, 2007. 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. In 1999, The Tech had awarded options to four employees, all of which were exercisable, and, subsequently, froze participation in the plan. During 2007, two employees exercised previously awarded options. Included in accrued expenses at June 30, 2007 is \$21,319 associated with this plan.

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

June 30, 2007

Note 14 - Commitments:

The Tech is obligated under non-cancelable operating leases for exhibits and office and storage space, which expire in September 2007 and April 2008, respectively. Future minimum lease payments payable under its non-cancelable leases are \$64,926 due in 2008. Rental expense under the above leases was approximately \$277,000 for the year ended June 30, 2007.

The Tech has a 10-year lease commitment for the IMAX Theater, and elected to prepay the minimum lease value in 1998. The Tech is amortizing this prepayment over the term of the lease and recognizes lease expense of \$230,800, 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. The Tech did not pay any additional rent for the year ended June 30, 2007.

Included in the commitments above is a maintenance agreement related to the IMAX theater equipment lease, which requires a minimum of approximately \$81,000 in maintenance each year, adjusted quarterly by the consumer price index, over the term of the 10-year lease.