



**The Tech Interactive**  
**Report on Audit of the Financial Statements**  
**and Federal Awards Program in Accordance**  
**with the Uniform Guidance**  
**June 30, 2022 and 2021**

Audit Committee  
Board of Directors  
The Tech Interactive  
San Jose, California



Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Tech Interactive (The Tech), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Tech as of June 30, 2022 and 2021, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Tech and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Tech's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tech's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Tech's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2022 on our consideration of The Tech's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Tech's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tech's internal control over financial reporting and compliance

*Frank, Rimerman & Co. LLP*

San Jose, California  
November 13, 2022

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

	June 30, 2022			June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 2,491,303	\$ 756,323	\$ 3,247,626	\$ 1,391,938	\$ 1,229,655	\$ 2,621,593
Grants and Other Receivables	19,741	265,000	284,741	19,988	332,000	351,988
Pledges Receivable, net	287	2,602,206	2,602,493	261	3,352,739	3,353,000
Prepaid Expenses and Other Assets	94,689	-	94,689	84,155	-	84,155
Investments	2,883,927	31,872,250	34,756,177	2,610,888	35,004,414	37,615,302
Property, Exhibits and Equipment, net	6,374,240	-	6,374,240	7,487,352	-	7,487,352
Beneficial Interest in Use of Facilities, net	-	41,623,205	41,623,205	-	42,012,005	42,012,005
Total assets	<u>\$ 11,864,187</u>	<u>\$ 77,118,984</u>	<u>\$ 88,983,171</u>	<u>\$ 11,594,582</u>	<u>\$ 81,930,813</u>	<u>\$ 93,525,395</u>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable	\$ 131,699	\$ -	\$ 131,699	\$ 72,922	\$ -	\$ 72,922
Accrued expenses	1,161,470	-	1,161,470	1,049,600	-	1,049,600
Deferred revenue	225,065	-	225,065	139,078	-	139,078
Capital lease obligation	-	-	-	1,596	-	1,596
Term loan	-	-	-	1,933,780	-	1,933,780
Total liabilities	<u>1,518,234</u>	<u>-</u>	<u>1,518,234</u>	<u>3,196,976</u>	<u>-</u>	<u>3,196,976</u>
Commitments (Notes 5, 9 and 10)						
Net Assets						
Without donor restrictions	10,345,953	-	10,345,953	8,397,606	-	8,397,606
With donor restrictions	-	77,118,984	77,118,984	-	81,930,813	81,930,813
Total net assets	<u>10,345,953</u>	<u>77,118,984</u>	<u>87,464,937</u>	<u>8,397,606</u>	<u>81,930,813</u>	<u>90,328,419</u>
Total liabilities and net assets	<u>\$ 11,864,187</u>	<u>\$ 77,118,984</u>	<u>\$ 88,983,171</u>	<u>\$ 11,594,582</u>	<u>\$ 81,930,813</u>	<u>\$ 93,525,395</u>

See Notes to Financial Statements

**The Tech Interactive**  
**Statements of Activities**  
**Years Ended June 30, 2022 and 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Public support	\$ 3,607,245	\$ -	\$ 3,607,245	\$ 1,747,357	\$ -	\$ 1,747,357
Contributions of cash and other financial assets	3,249,994	6,434,348	9,684,342	1,710,166	3,992,587	5,702,753
Contributions of nonfinancial assets	1,432,886	-	1,432,886	1,456,368	-	1,456,368
Admissions and fees	1,299,228	-	1,299,228	295,502	-	295,502
Rental and other income	784,299	-	784,299	17,034	-	17,034
Net assets released from restrictions	9,973,544	(9,973,544)	-	9,006,598	(9,006,598)	-
<b>Total support and revenue</b>	<b>20,347,196</b>	<b>(3,539,196)</b>	<b>16,808,000</b>	<b>14,233,025</b>	<b>(5,014,011)</b>	<b>9,219,014</b>
<b>Expenses</b>						
Program services						
Exhibits, programs and experiences	10,593,023	-	10,593,023	9,322,775	-	9,322,775
Education	1,996,094	-	1,996,094	3,212,824	-	3,212,824
Visitor services	2,573,954	-	2,573,954	1,027,239	-	1,027,239
Support services						
Fundraising and membership	1,598,490	-	1,598,490	1,105,841	-	1,105,841
General and administrative						
Marketing	1,144,662	-	1,144,662	723,866	-	723,866
Administration	2,311,357	-	2,311,357	2,813,717	-	2,813,717
<b>Total expenses</b>	<b>20,217,580</b>	<b>-</b>	<b>20,217,580</b>	<b>18,206,262</b>	<b>-</b>	<b>18,206,262</b>
<b>Change in net assets from operations</b>	<b>129,616</b>	<b>(3,539,196)</b>	<b>(3,409,580)</b>	<b>(3,973,237)</b>	<b>(5,014,011)</b>	<b>(8,987,248)</b>
<b>Other Income (Expense), net</b>						
Investment return, net	(115,049)	(1,272,633)	(1,387,682)	3,897	7,128,060	7,131,957
Gain on forgiveness of term loans	1,933,780	-	1,933,780	1,933,780	-	1,933,780
<b>Total other income (expense), net</b>	<b>1,818,731</b>	<b>(1,272,633)</b>	<b>546,098</b>	<b>1,937,677</b>	<b>7,128,060</b>	<b>9,065,737</b>
<b>Change in Net Assets</b>	<b>1,948,347</b>	<b>(4,811,829)</b>	<b>(2,863,482)</b>	<b>(2,035,560)</b>	<b>2,114,049</b>	<b>78,489</b>
Net Assets, beginning of year	8,397,606	81,930,813	90,328,419	10,433,166	79,816,764	90,249,930
<b>Net Assets, end of year</b>	<b>\$ 10,345,953</b>	<b>\$ 77,118,984</b>	<b>\$ 87,464,937</b>	<b>\$ 8,397,606</b>	<b>\$ 81,930,813</b>	<b>\$ 90,328,419</b>

See Notes to Financial Statements

**The Tech Interactive**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	Programs				Support Services				
	Exhibits, Programs and Experiences	Education	Visitor Services	Total Program Services	Fundraising and Membership	General and Administrative		Total Support Services	Total
						Marketing	Administration		
Salaries	\$ 3,155,720	\$ 1,089,063	\$ 1,471,214	\$ 5,715,997	\$ 916,743	\$ 584,191	\$ 1,115,537	\$ 2,616,471	\$ 8,332,468
Payroll Taxes	222,802	76,336	107,962	407,100	65,177	40,896	71,713	177,786	584,886
Benefits	215,187	76,896	103,075	395,158	64,266	42,211	115,499	221,976	617,134
Professional Fees	965,666	184,090	8,289	1,158,045	120,471	46,395	315,378	482,244	1,640,289
Materials and Supplies	282,295	25,039	229,690	537,024	3,226	4,587	50,456	58,269	595,293
Advertising and Public Relations	237,057	8,857	-	245,914	19,530	165,582	17,002	202,114	448,028
Purchase Services	749,648	138,011	138,846	1,026,505	45,667	79,300	360,013	484,980	1,511,485
Royalties	145,364	-	-	145,364	-	-	-	-	145,364
In-Kind Donations	-	-	-	-	73,206	-	95,989	169,195	169,195
Occupancy	1,394,771	258,305	370,159	2,023,235	48,533	131,155	126,404	306,092	2,329,327
Building and Equipment Rental	68,409	-	-	68,409	7,063	193	-	7,256	75,665
Depreciation and Amortization	1,532,123	46,640	33,832	1,612,595	17,304	13,090	10,889	41,283	1,653,878
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	260,098	-	-	260,098	54,939	-	-	54,939	315,037
The Tech Challenge and Related Expenses	56,216	4,377	21,549	82,142	110,246	14,500	11,458	136,204	218,346
Insurance	82,786	19,961	27,161	129,908	3,702	10,163	9,743	23,608	153,516
Other	832	-	166	998	11,351	44	11,276	22,671	23,669
<b>Total expenses</b>	<b>\$ 10,593,023</b>	<b>\$ 1,996,094</b>	<b>\$ 2,573,954</b>	<b>\$ 15,163,071</b>	<b>\$ 1,598,490</b>	<b>\$ 1,144,662</b>	<b>\$ 2,311,357</b>	<b>\$ 5,054,509</b>	<b>\$ 20,217,580</b>
Percent of Total Expenses	52%	10%	13%	75%	8%	6%	11%	25%	100%

See Notes to Financial Statements

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

	Programs				Support Services				
	Exhibits, Programs and Experiences	Education	Visitor Services	Total Program Services	Fundraising and Membership	General and Administrative		Total Support Services	Total
						Marketing	Administration		
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
<b>Total expenses</b>	<b>\$ 9,322,775</b>	<b>\$ 3,212,824</b>	<b>\$ 1,027,239</b>	<b>\$ 13,562,838</b>	<b>\$ 1,105,841</b>	<b>\$ 723,866</b>	<b>\$ 2,813,717</b>	<b>\$ 4,643,424</b>	<b>\$ 18,206,262</b>
Percent of Total Expenses	51%	18%	6%	75%	6%	4%	15%	25%	100%

See Notes to Financial Statements



**The Tech Interactive**  
**Statements of Cash Flows**

	Years Ended June 30,	
	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (2,863,482)	\$ 78,489
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,653,878	2,276,833
In-kind rent expense related to donated use of facilities	388,800	379,317
Net realized and unrealized gain (loss) on investments	1,331,187	(7,130,581)
Change in discount on pledges receivable	(56,021)	(108,879)
In-kind donation of property, exhibits and equipment	(293,535)	-
Gain on forgiveness of term loans	(1,933,780)	(1,933,780)
Change in allowance on pledges receivable	-	(25,000)
Changes in operating assets and liabilities:		
Grants and other receivables	67,247	403,328
Pledges receivable	806,528	1,238,638
Prepaid expenses and other assets	(10,534)	124,746
Accounts payable	58,777	23,497
Accrued expenses	111,870	471,525
Deferred revenue	85,987	(155,665)
Net cash used in operating activities	<u>(653,078)</u>	<u>(4,357,532)</u>
Cash Flows from Investing Activities:		
Net proceeds from sale and distribution of investments	9,736,985	7,912,614
Purchase of investments	(8,209,047)	(3,533,931)
Purchase of property, exhibits and equipment	(247,231)	(521,438)
Net cash provided by investing activities	<u>1,280,707</u>	<u>3,857,245</u>
Cash Flows from Financing Activities:		
Payments on capital lease obligation	(1,596)	(2,537)
Proceeds from term loan	-	1,933,780
Payments on line of credit	-	(2,000,000)
Net cash used in financing activities	<u>(1,596)</u>	<u>(68,757)</u>
Net increase (decrease) in cash and cash equivalents	626,033	(569,044)
Cash and Cash Equivalents, beginning of year	2,621,593	3,190,637
Cash and Cash Equivalents, end of year	<u>\$ 3,247,626</u>	<u>\$ 2,621,593</u>

See Notes to Financial Statements

## The Tech Interactive

### Notes to Financial Statements

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#### 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 inspiring 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 200,000 people a year in its galleries and programs and has approximately 2,000 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 the 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.

## The Tech Interactive

### Notes to Financial Statements

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#### 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, revenue and expenses in the financial statements and related disclosures. Significant estimates established by The Tech's management consist of the valuation of investments and the beneficial interest in use of facility. The values assigned to investments by 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 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

## The Tech Interactive

### Notes to Financial Statements

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#### 2. Significant Accounting Policies (continued)

##### *Revenue Recognition:* (continued)

Admission and 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. Rental income is recognized when events occur. 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.

##### *Contributed Nonfinancial Assets:*

Effective July 1, 2021, The Tech adopted the requirements of FASB Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-For Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributions from donors be reported on the Statement of Financial Position as either contributions of cash and other financial assets or nonfinancial assets. The ASU requires not-for-profit entities 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 under FASB ASC Topic 820, *Fair Value Measurement*, at initial recognition. All amounts and disclosures set forth in these financial statements and related disclosures comply with the new standard.

The Tech records various types of in-kind donations including professional services, tangible assets, use of tangible assets and marketable securities. The Tech's policy is to immediately sell donated marketable securities and account for the proceeds as contributed cash and other financial assets on the Statements of Activities. Contributed professional services are recognized at their fair value 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 at their fair value 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.

**The Tech Interactive**  
**Notes to Financial Statements**

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2. Significant Accounting Policies (continued)

*Contributed Nonfinancial Assets: (continued)*

The Tech received the following contributed nonfinancial assets for the year ended June 30:

	<u>2022</u>	<u>2021</u>
Rent	\$ 1,015,200	\$ 1,024,683
Exhibits	293,535	-
Software	59,971	431,685
Furniture	<u>64,180</u>	<u>-</u>
Total	<u>\$ 1,432,886</u>	<u>\$ 1,456,368</u>

Expenses related to contributions of nonfinancial assets in fiscal 2022 are recognized as donated rent of \$1,404,000, net of the \$388,800 amortization of the beneficial interest in use of facilities (Note 7), \$124,151 of donated software and furniture and \$45,044 of amortization of donated property, exhibits and equipment and other assets (\$1,404,000 net of \$379,317, \$431,685 and \$50,054, respectively, in fiscal 2021).

Contributed tangible exhibit assets of \$293,535 received by The Tech have been recorded as nonfinancial assets of property, exhibits and equipment. All other donated services and assets were utilized by The Tech's programs and supporting services. There were no donor-imposed restricted associated with the donated services and assets. Donated goods are valued at the prices that would be paid for purchasing similar products.

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.

*Investments and Fair Value Measurement:*

The Tech accounts for investments under 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 at 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 Tech Interactive

### Notes to Financial Statements

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#### 2. Significant Accounting Policies (continued)

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

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, 2022 and 2021, The Tech applied a discount rate of 2.25% to long-term pledges receivable.

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 and general partner 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 Tech Interactive

### Notes to Financial Statements

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#### 2. Significant Accounting Policies (continued)

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

The fair value of venture capital funds is initially based upon the transaction price. The fund managers and general partners 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 the discount estimated by the funds in the absence of market information. Due to the lack of observable inputs, assumptions used by the fund managers and general partner may significantly impact the resulting fair value.

While the fund managers and general partner 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.

##### NAV Practical Expedient Valuation Techniques

The NAVs of investments are based on valuations provided by the fund managers. The Tech reviews and evaluates the values provided by the fund managers 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 an original maturity of three months or less to be cash equivalents.

## The Tech Interactive

### Notes to Financial Statements

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#### 2. Significant Accounting Policies (continued)

##### *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 are insured by the Securities Investor Protection Corporation (SIPC) 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 SIPC insured amount. Investments in venture capital funds are not insured. The Tech's investments are managed by The Tech's Board of Directors (The Board).

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.

##### *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.



## The Tech Interactive

### Notes to Financial Statements

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#### 2. Significant Accounting Policies (continued)

##### *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, 2022.

##### *Return on Investment:*

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 the fluctuations occur as investment income or loss.

##### *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 benefited.

##### *Advertising Costs:*

Costs associated with advertising are expensed when incurred. Advertising expenses were \$451,000 in fiscal 2022 (\$113,000 in fiscal 2021).

##### *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.

## The Tech Interactive

### Notes to Financial Statements

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#### 2. Significant Accounting Policies (continued)

##### *Income Taxes: (continued)*

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, 2022 and 2021.

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 uncertain income tax positions has been recorded at June 30, 2022 and 2021. The Tech does not anticipate any significant increases or decreases to uncertain income tax positions 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.

##### *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.

## The Tech Interactive

### Notes to Financial Statements

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#### 2. Significant Accounting Policies (continued)

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

##### Credit Losses

In June 2016, the FASB issued 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.

#### 3. Liquidity and Availability of Resources

The table below represents assets available for general expenditures within one year at June 30, 2022:

Cash and cash equivalents	\$ 3,247,626
Grants and other receivables	284,741
Pledges receivable, net	2,602,493
Investments	<u>34,756,177</u>
Total financial assets	<u>40,891,037</u>

Less amounts not available to be used within one year:

Funds received from donors restricted for programs (Note 11)	8,690,223
Receivables due in one to five years, net of discount (Note 4)	1,557,206
Receivables due in less than one year restricted for purpose, (Note 11)	1,310,000
Undesignated endowment income not eligible for appropriation (Note 11)	6,861,512
Investments in donor restricted endowments held in perpetuity (Note 11)	<u>16,715,706</u>
Financial assets not available to be used within one year	<u>35,134,647</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,756,390</u>

## The Tech Interactive

### Notes to Financial Statements

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#### 3. Liquidity and Availability of Resources (continued)

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	<u>37,615,302</u>
Total financial assets	<u>43,941,883</u>
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 due in less than one year restricted for purpose (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)	<u>16,715,706</u>
Financial assets not available to be used within one year	<u>39,177,860</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,764,023</u>

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 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 2022 and 2021.

**The Tech Interactive**  
**Notes to Financial Statements**

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4. Pledges Receivable

Pledges receivable are summarized as follows at June 30:

	<u>2022</u>	<u>2021</u>
The Tech 3.0 Campaign	\$ 1,007,647	\$ 1,384,201
Other	<u>1,594,846</u>	<u>1,968,799</u>
Net pledges receivable	<u>\$ 2,602,493</u>	<u>\$ 3,353,000</u>
Receivable in less than one year	\$ 1,045,287	\$ 975,261
Receivable in one to five years	<u>1,607,647</u>	<u>2,484,201</u>
	2,652,934	3,459,462
Less: unamortized discount to present value	<u>(50,441)</u>	<u>(106,462)</u>
Net pledges receivable	<u>\$ 2,602,493</u>	<u>\$ 3,353,000</u>

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, 2022, The Tech has raised \$57,693,000 from The Tech 3.0 Campaign, of which \$56,685,000 had been received.

5. Investments

The following table presents the financial instruments carried at fair value at June 30, 2022:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>NAV</u>	<u>Total</u>
Certificates of deposit	\$ 5,183,831	\$ -	\$ -	\$ -	\$ 5,183,831
Money market funds	5,895,370	-	-	-	5,895,370
Fixed income funds	-	3,473,446	-	1,908,021	5,381,467
Venture capital funds	-	-	7,022,009	-	7,022,009
Equity funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,273,500</u>	<u>11,273,500</u>
Total	<u>\$ 11,079,201</u>	<u>\$ 3,473,446</u>	<u>\$ 7,022,009</u>	<u>\$ 13,181,521</u>	<u>\$ 34,756,177</u>

**The Tech Interactive**  
**Notes to Financial Statements**

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5. Investments (continued)

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

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>NAV</u>	<u>Total</u>
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	<u>\$ 11,098,958</u>	<u>\$ 2,472,794</u>	<u>\$ 5,496,003</u>	<u>\$ 18,547,547</u>	<u>\$ 37,615,302</u>

There were purchased investments of \$294,000 classified by The Tech within Level III of the fair value hierarchy in fiscal 2022 (\$412,500 in fiscal 2021). There were no transfers between the levels of the fair value hierarchy in fiscal 2022 or 2021.

*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 <u>June 30, 2022</u>	Fair Value at <u>June 30, 2021</u>	Remaining Commitment at <u>June 30, 2022</u>	Term Date**
Legacy Venture V, LLC	\$ 414,011	\$ 807,392	\$ -	December 31, 2022
Legacy Venture VII, LLC	3,682,191	2,480,240	15,000	December 31, 2026
Legacy Venture VIII, LLC	1,685,782	1,428,765	15,000	December 31, 2028
Legacy Venture IX, LLC	1,204,544	710,542	112,500	December 31, 2030
University Technology Ventures, L.P.	<u>35,481</u>	<u>69,063</u>	<u>31,328</u>	December 31, 2019*
Total	<u>\$ 7,022,009</u>	<u>\$ 5,496,003</u>	<u>\$ 173,828</u>	

\* The investment fund is in liquidation at June 30, 2022.

\*\* 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 Tech Interactive**  
**Notes to Financial Statements**

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5. Investments (continued)

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.

*Investments Valued Using NAV:*

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

	<u>Fair Value at June 30, 2022</u>	<u>Fair Value at June 30, 2021</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
Equity funds	\$ 11,273,500	\$ 16,004,931	Daily - Annually	1 - 90 days
Fixed income funds	<u>1,908,021</u>	<u>2,542,616</u>	Daily - Monthly	1 - 5 days
Total	<u>\$ 13,181,521</u>	<u>\$ 18,547,547</u>		

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 in a commingled trust.

6. Property, Exhibits and Equipment

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

	<u>2022</u>	<u>2021</u>
Exhibits	\$ 18,182,734	\$ 18,005,734
Building and leasehold improvements	13,046,633	13,046,633
Equipment	8,000,103	7,670,287
Computer software	11,000	11,000
Construction in progress	<u>33,950</u>	<u>-</u>
	39,274,420	38,733,654
Accumulated depreciation and amortization	<u>(32,900,180)</u>	<u>(31,246,302)</u>
Property, exhibits and equipment, net	<u>\$ 6,374,240</u>	<u>\$ 7,487,352</u>

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.

**The Tech Interactive**  
**Notes to Financial Statements**

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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 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 donated rent.

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

	<u>2022</u>	<u>2021</u>
Total benefit in interest in use of facilities	\$ 73,008,000	\$ 74,412,000
Less discount to net present value at (2.5%)	<u>(31,384,795)</u>	<u>(32,399,995)</u>
Net beneficial interest in use of facilities	<u>\$ 41,623,205</u>	<u>\$ 42,012,005</u>

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

	<u>2022</u>	<u>2021</u>
Rent expense	\$ 1,404,000	\$ 1,404,000
Amortization of discount	<u>(1,015,200)</u>	<u>(1,024,683)</u>
Net decrease in temporarily restricted net assets	<u>\$ 388,800</u>	<u>\$ 379,317</u>

8. Borrowings

*Line of Credit:*

In January 2022, The Tech extended a \$2,000,000 line of credit with a bank with a maturity date of January 2023. Borrowings under the agreement bear interest at the bank's prime rate plus 1% per annum and are unsecured. No principal was drawn and no interest was paid in fiscal 2022.

*Term Loans:*

In April 2020, The Tech entered into an unsecured promissory loan for \$1,933,780 under the Paycheck Protection Program (the PPP) administered by the U.S. Small Business Administration (the SBA). The PPP was established under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). In March 2021, The Tech received forgiveness by the SBA for the full amount of the loan and accrued interest, which was reported as a gain on forgiveness of term loan.



## The Tech Interactive Notes to Financial Statements

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### 8. Borrowings (continued)

#### *Term Loans: (continued)*

In March 2021, The Tech entered into an unsecured promissory loan (2021 Loan) for \$1,933,780 under the PPP. Subject to the terms of the Note, the Loan bore interest at a fixed rate of one percent (1%) per annum. In January 2022, The Tech received forgiveness by the SBA for the full amount of the 2021 Loan and accrued interest, which was reported as a gain on forgiveness of term loan.

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

### 9. Lease Arrangements

#### *Operating Lease:*

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 \$61,000 in fiscal 2022 (\$69,000 in fiscal 2021).

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 2022 and 2021.

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

Years ending June 30,	
2023	\$ 465,000
2024	431,000
2025	395,000
2026	395,000
2027	<u>362,000</u>
Total	<u>\$ 2,048,000</u>

## The Tech Interactive

### Notes to Financial Statements

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#### 9. Lease Arrangements (continued)

##### *Capital Leases:*

In July 2018, The Tech purchased \$11,000 of equipment under a capital lease agreement with no interest payments through July 2021, which was repaid in full in fiscal 2022. The equipment financed under the capital lease was fully depreciated at June 30, 2022 (net book value of \$1,600 at June 30, 2021).

#### 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, 2022 and 2021. 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 revenue over \$1,000,000. The Tech did not incur any additional rent in fiscal 2022 or 2021.

##### *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 an extended period of global economic uncertainty. 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 continued in spite of the closure.

**The Tech Interactive**  
**Notes to Financial Statements**

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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:

	<u>2022</u>	<u>2021</u>
Beneficial interest in use of facilities	\$ 41,623,205	\$ 42,012,005
Tech 3.0	7,340,791	7,737,309
Tech Challenge	112,701	444,079
Title One	756,354	435,382
Tech for Global Good	300,000	190,120
Education Programs	180,377	126,500
Receivables	2,867,206	3,684,739
Undesignated endowment income	7,222,644	10,584,973
Investments held in perpetuity	<u>16,715,706</u>	<u>16,715,706</u>
	<u>\$ 77,118,984</u>	<u>\$ 81,930,813</u>

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:

	<u>2022</u>	<u>2021</u>
Operations	\$ 7,928,269	\$ 7,850,295
Designated endowment income	1,656,475	776,987
Beneficial interest in use of facility	<u>388,800</u>	<u>379,317</u>
	<u>\$ 9,973,544</u>	<u>\$ 9,006,598</u>

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 Interactive

### Notes to Financial Statements

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#### 13. Endowment (continued)

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 Board in a manner consistent with the standard of prudence prescribed by SPMIFA. Once appropriated, these amounts are classified as net assets without donor restrictions.

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, 2022:

Endowment Funds Restricted in Perpetuity	\$ 16,715,706
Undesignated Endowment Income	<u>7,222,644</u>
	<u>\$ 23,938,350</u>

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

Endowment Funds Restricted in Perpetuity	\$ 16,715,706
Undesignated Endowment Income	<u>10,584,973</u>
	<u>\$ 27,300,679</u>

## The Tech Interactive

### Notes to Financial Statements

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#### 13. Endowment (continued)

Changes in endowment assets for fiscal 2022 are as follows:

Endowment Assets, beginning of year	\$ 27,300,679
Net depreciation	(1,705,854)
Appropriated for expenditure	<u>(1,656,475)</u>
Endowment Assets, end of year	<u>\$ 23,938,350</u>

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	<u>(776,987)</u>
Endowment Assets, end of year	<u>\$ 27,300,679</u>

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 \$2,047,000 in fiscal 2022 (\$1,845,000 in fiscal 2021). Amounts due from the Board and affiliates are \$25,000 at June 30, 2022 (\$30,000 at June 30, 2021).

**The Tech Interactive**  
**Notes to Financial Statements**

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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 2022 or 2021.

16. Subsequent Events

Subsequent events have been evaluated through November 13, 2022, which is the date the financial statements were approved by The Tech and available to be issued.

**The Tech Interactive**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

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<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
United States Small Business Administration: COVID-19: Shuttered Venue Operators Grant (SBAHQ21SV000527.2)	59.075	\$ 1,727,478
United States Department of Health and Human Services: National Institute of Health: Biomedical Research and Research Training (R25GM129220)	93.859	<u>266,761</u>
Total Expenditures of Federal Awards		<u>\$ 1,994,239</u>

## The Tech Interactive

### Notes to Schedule of Expenditures of Federal Awards

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#### 1. The Tech Interactive and Grant 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 receives funding through direct grants from the United States Small Business Administration (SBA) and the United States Department of Health and Human Services (DHHS).

#### 2. Significant Accounting Policies

##### *Basis of Presentation:*

The schedule of expenditures of federal awards (the Schedule) includes The Tech's federal award activities under the SBA and DHHS grants for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of The Tech's operations, it is not intended to and does not present The Tech's results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### *Cost Principles:*

Expenditures reported on the Schedule are reported on the accrual method of accounting in accordance with GAAP. The expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

##### *Indirect Cost Rate:*

The Tech has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Instead, The Tech uses an approved indirect cost rate of 8% based on total direct costs.



Audit Committee  
Board of Directors  
The Tech Interactive  
San Jose, California



Certified  
Public  
Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Tech Interactive (The Tech), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2022.

## Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Tech's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Tech's internal control. Accordingly, we do not express an opinion on the effectiveness of The Tech's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Tech's financial statements are free from material misstatement, we performed tests of The Tech's compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Tech's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Tech's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Frank, Rimmerman & Co. LLP*

San Jose, California  
November 13, 2022

Audit Committee  
Board of Directors  
The Tech Interactive  
San Jose, California



Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited The Tech Interactive's (The Tech) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on The Tech's major federal program for the year ended June 30, 2022. The Tech's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, The Tech complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of The Tech and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of The Tech's compliance with the compliance requirements referred to above.

60 South Market Street, Suite 500 San Jose, California 95113 t 408.279.5566 www.frankrimerman.com

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Tech's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Tech's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Tech's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Tech's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Tech's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Tech's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

### ***Report on Internal Control over Compliance***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Frank, Rimmerman & Co. LLP*

San Jose, California  
November 13, 2022

**The Tech Interactive  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of the The Tech Interactive (The Tech) were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses or significant deficiencies were disclosed during the audit of The Tech's financial statements and reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to The Tech's financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over the major federal award program disclosed during the audit were reported in the *Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The independent auditors' report on compliance for The Tech's major federal program expresses an unmodified opinion on the major federal program.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major federal program was the Shuttered Venue Operators Grant, a Type A program which represented 87% of federal expenditures for the year ended June 30, 2022.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Tech was not determined to be a low-risk auditee as there was no Uniform Guidance audit performed in the prior year.

**The Tech Interactive  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022**

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**SECTION II – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FINDINGS**

None noted.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE FEDERAL AWARD PROGRAM CLUSTER**

There was no program cluster.

**SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDING**

Not applicable, as there was no Uniform Guidance audit required in the prior year.