

**THE TECH MUSEUM OF INNOVATION**

**Financial Statements and  
Report of Independent Certified Public Accountants**

**December 31, 1999 and 1998**

Report of Independent Certified Public Accountants

Board of Directors  
The Tech Museum of Innovation

We have audited the accompanying statements of financial position of The Tech Museum of Innovation (the "Organization") (a California nonprofit corporation) as of December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 1999 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Grant Thornton LLP*

San Jose, California  
May 19, 2000

## STATEMENTS OF FINANCIAL POSITION

December 31,

	1999			1998				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>								
Cash	\$ 1,018,908	\$ 2,135,757	\$ -	\$ 3,154,665	\$ 8,071	\$ 5,291,756	\$ 100,000	\$ 5,399,827
Receivable from the sale of investments	51,932	-	-	51,932	-	228,274	-	228,274
Investments	1,995,832	151,773	2,247,366	4,394,971	2,000,000	730,373	-	2,730,373
Contributed support receivable, net	-	2,083,720	2,738,979	4,822,699	-	3,791,711	-	3,791,711
Public support receivable, net	-	-	-	-	158,888	-	-	158,888
Receivable for contributed use of facility, net	-	22,159,765	-	22,159,765	-	22,216,722	-	22,216,722
Grants receivable, net	278,273	-	-	278,273	98,991	-	-	98,991
Other receivable	109,581	-	-	109,581	109,424	30,394	-	139,818
Prepaid expenses and other assets	1,936,839	-	-	1,936,839	2,139,313	20,661	-	2,159,974
Inventory	304,171	-	-	304,171	148,302	-	-	148,302
Property and equipment, net	29,578,768	-	-	29,578,768	30,004,020	-	-	30,004,020
Beneficial interest in trust	-	-	219,162	219,162	-	-	100,608	100,608
	<u>\$ 35,274,304</u>	<u>\$ 26,531,015</u>	<u>\$ 5,205,507</u>	<u>\$ 67,010,826</u>	<u>\$ 34,667,009</u>	<u>\$ 32,309,891</u>	<u>\$ 200,608</u>	<u>\$ 67,177,508</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>Liabilities</b>								
Accounts payable and accrued expenses	\$ 2,390,239	\$ -	\$ -	\$ 2,390,239	\$ 3,256,559	\$ 597,385	\$ -	\$ 3,853,944
Deferred revenue	399,611	-	-	399,611	175,618	-	-	175,618
Note payable	560,000	-	-	560,000	700,000	-	-	700,000
Payable (receivable) between net asset categories	89,172	(108,333)	19,161	-	(3,969,434)	3,968,826	608	-
Total liabilities	3,439,022	(108,333)	19,161	3,349,850	162,743	4,566,211	608	4,729,562
<b>Net assets</b>								
<b>Unrestricted</b>								
Undesignated	2,256,514	-	-	2,256,514	4,500,246	-	-	4,500,246
Designated for property and equipment	29,578,768	-	-	29,578,768	30,004,020	-	-	30,004,020
Temporarily restricted	-	26,639,348	-	26,639,348	-	27,743,680	-	27,743,680
Permanently restricted	-	-	5,186,346	5,186,346	-	-	200,000	200,000
Total net assets	31,835,282	26,639,348	5,186,346	63,660,976	34,504,266	27,743,680	200,000	62,447,946
	<u>\$ 35,274,304</u>	<u>\$ 26,531,015</u>	<u>\$ 5,205,507</u>	<u>\$ 67,010,826</u>	<u>\$ 34,667,009</u>	<u>\$ 32,309,891</u>	<u>\$ 200,608</u>	<u>\$ 67,177,508</u>

See accompanying notes to financial statements.

The Tech Museum of Innovation

STATEMENTS OF ACTIVITIES

Years ended December 31,

	1999			1998				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Public support	\$ 1,300,003	\$ 111,333	\$ -	\$ 1,411,336	\$ 392,222	\$ 14,563	\$ -	\$ 406,785
Contributed support and special events, net of allowance and net present value adjustment	3,214,110	2,118,802	4,986,346	10,319,258	3,413,315	7,876,196	100,000	11,389,511
Donated property, services and rent	3,047,331	1,520,383	-	4,567,714	609,027	14,212,570	-	14,821,597
Admissions and fees	7,389,330	-	-	7,389,330	2,090,151	-	-	2,090,151
Store revenue	1,442,930	-	-	1,442,930	519,137	-	-	519,137
Federal awards	332,931	-	-	332,931	376,101	-	-	376,101
Interest income	172,068	119,482	-	291,550	560,159	14,790	-	574,949
Realized loss on investments	(19,703)	-	-	(19,703)	(111,512)	-	-	(111,512)
Other income	27,985	-	-	27,985	7,729	-	-	7,729
Net assets released from restriction	4,974,332	(4,974,332)	-	-	35,330,956	(35,330,956)	-	-
Total support and revenue	21,881,317	(1,104,332)	4,986,346	25,763,331	43,187,285	(13,212,837)	100,000	30,074,448
Expenses:								
Program services								
Exhibits, programs, and experiences	13,184,935	-	-	13,184,935	5,636,489	-	-	5,636,489
Visitor services	3,394,136	-	-	3,394,136	1,252,274	-	-	1,252,274
Education	1,513,292	-	-	1,513,292	906,536	-	-	906,536
Supporting services								
Development and special events	2,531,027	-	-	2,531,027	3,282,895	-	-	3,282,895
Management and general								
Marketing and public relations	1,975,534	-	-	1,975,534	2,451,348	-	-	2,451,348
Administration	1,951,377	-	-	1,951,377	1,611,815	-	-	1,611,815
Total expenses	24,550,301	-	-	24,550,301	15,141,357	-	-	15,141,357
Change in net assets	(2,668,984)	(1,104,332)	4,986,346	1,213,030	28,045,928	(13,212,837)	100,000	14,933,091
Net assets at beginning of year	34,504,266	27,743,680	200,000	62,447,946	6,458,338	40,956,517	100,000	47,514,855
Net assets at end of year	\$ 31,835,282	\$ 26,639,348	\$ 5,186,346	\$ 63,660,976	\$ 34,504,266	\$ 27,743,680	\$ 200,000	\$ 62,447,946

See accompanying notes to financial statements.

The Tech Museum of Innovation  
STATEMENTS OF CASH FLOWS

Years ended December 31,

	1999	1998
Cash flows from operating activities:		
Change in net assets	\$ 1,213,030	\$14,933,091
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,585,239	1,156,093
Adjustment to estimated uncollectible contributed support	84,383	(140,445)
Present value adjustment, net	220,405	1,246,505
Donated equipment	(915,931)	(14,000,000)
Donated investments	(2,422,196)	(3,355,000)
Contributions restricted for long-term investment	(379,358)	(7,890,759)
Contributions restricted for investment in endowment	(4,986,346)	(100,000)
Realized loss on investments	19,703	111,512
Changes in operating assets and liabilities:		
Support receivables	(1,119,931)	3,525,167
Inventory	(155,869)	(83,944)
Grants receivable	(179,282)	39,665
Receivable from the sale of investments	176,342	(162,472)
Other receivable	30,237	(95,950)
Prepays and other assets	223,135	(1,386,361)
Deferred revenue	223,993	175,618
Accounts payable and accrued expenses	<u>(1,463,705)</u>	<u>3,227,438</u>
Net cash used in operating activities	(4,846,151)	(2,799,842)
Cash flows from investing activities:		
Purchases of property and equipment	(3,244,056)	(12,644,222)
Purchases of investments	(4,353,595)	(6,273,128)
Proceeds from sales of investments	<u>4,972,936</u>	<u>17,921,536</u>
Net cash used in investing activities	(2,624,715)	(995,814)
Cash flows from financing activities:		
Contributions restricted for long-term investment	379,358	7,890,759
Contributions restricted for investment in endowment	4,986,346	100,000
Proceeds from note payable	-	700,000
Payment on notes payable	<u>(140,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>5,225,704</u>	<u>8,690,759</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (2,245,162)	 4,895,103
Cash and cash equivalents, beginning of year	<u>5,399,827</u>	<u>504,724</u>
Cash and cash equivalents, end of year	<u>\$ 3,154,665</u>	<u>\$ 5,399,827</u>

See accompanying notes to financial statements.

The Tech Museum of Innovation  
NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

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

2. Categories of Net Assets

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

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

3. Revenue Recognition

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

4. Contributed Support

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

5. Functional Classification of Expenses

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

The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1999 and 1998

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

6. Investments

Investments consist primarily of U.S. Treasury Bills and corporate stocks. Investments are carried at fair value as determined by quoted market prices.

7. Inventory

Inventory consists principally of merchandise (technology related items) sold in the Tech Store and is stated at the lower of cost or market, cost being determined on the first-in, first-out ("FIFO") method.

8. Property and Equipment

Property and equipment are stated at cost for purchased assets and at estimated fair value for contributed assets. Depreciation on exhibits, furniture, fixtures and improvements is computed by the straight-line method over the estimated useful lives of the assets which range 3 - 7 years. Leasehold improvements are amortized by the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease.

9. Donated Property, Services and Use of Facility

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

10. Tax Exempt Status

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

11. Use of Estimates

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

The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1999 and 1998

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

The Tech's allowance for estimated uncollectible contributed support receivables of \$490,802 and \$406,419, at December 31, 1999 and 1998, respectively are particularly significant estimates. The determination of the balance in this account is based on an analysis of the receivables and reflects an amount which, in management's judgment, is adequate to provide for potential losses after giving consideration to the character of the receivables, current economic conditions, past collection experience and such other factors that deserve current recognition in estimating losses.

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

12. Expiration of Donor-Imposed Restrictions

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

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

13. Federal Awards

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

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

14. Reclassifications

Certain 1998 amounts have been reclassified to conform to the 1999 presentation.



The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1999 and 1998

NOTE B - INVESTMENTS AND BENEFICIAL INTEREST IN TRUST

Information relative to investments and the beneficial interest in trust, is summarized as follows:

	<u>1999</u>		
	<u>Interest</u>	<u>Net</u>	<u>Fair</u>
	<u>Income</u>	<u>Realized</u>	<u>Value</u>
		<u>(Losses)</u>	
U.S. Government Securities	\$ 156,617	\$ -	\$ 2,742,837
Equity Securities	3,125	(19,703)	1,652,134
Beneficial Interest in Trust	<u>18,554</u>	<u>-</u>	<u>219,162</u>
	178,296	(19,703)	4,614,133
Cash	<u>113,254</u>	<u>-</u>	<u>3,154,666</u>
	<u>\$ 291,550</u>	<u>\$ (19,703)</u>	<u>\$ 7,768,799</u>
	<u>1998</u>		
	<u>Interest</u>	<u>Net</u>	<u>Fair</u>
	<u>Income</u>	<u>Realized</u>	<u>Value</u>
		<u>(Losses)</u>	
U.S. Government Securities	\$ 482,411	\$ -	\$ 2,553,694
Equity Securities	6,036	(111,512)	176,679
Beneficial Interest in Trust	<u>14,790</u>	<u>-</u>	<u>100,608</u>
	503,237	(111,512)	2,830,981
Cash	<u>71,712</u>	<u>-</u>	<u>5,399,827</u>
	<u>\$ 574,949</u>	<u>\$ (111,512)</u>	<u>\$ 8,230,808</u>

The beneficial interest in trust represents amounts held by The Community Foundation of Santa Clara County on behalf of the Tech.

The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1999 and 1998

NOTE C - CONTRIBUTED SUPPORT RECEIVABLE

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

	<u>December 31, 1999</u>		
	<u>Contributed Support</u>	<u>Contributed Use of Facility</u>	
2000	\$ 3,449,104	\$ 1,404,000	
2001	1,323,692	1,404,000	
2002	796,567	1,404,000	
2003	270,000	1,404,000	
2004	-	1,404,000	
2005 and thereafter	-	<u>62,985,600</u>	
	5,839,363	70,005,600	
Less discount for present value	(525,862)	(47,845,835)	
Less allowance for estimated uncollectible contributed support	<u>(490,802)</u>	<u>-</u>	
	<u>\$ 4,822,699</u>	<u>\$ 22,159,765</u>	
	<u>December 31, 1998</u>		
	<u>Contributed Support</u>	<u>Contributed Public Support</u>	<u>Contributed Use of Facility</u>
1999	\$ 2,940,043	\$ 158,888	\$ 1,404,000
2000	1,379,724	-	1,404,000
2001	175,645	-	1,404,000
2002	65,131	-	1,404,000
2003	-	-	1,404,000
2004 and thereafter	-	-	<u>64,389,600</u>
	4,560,543	158,888	71,409,600
Less discount for present value	(362,413)	-	(49,192,878)
Less allowance for estimated uncollectible contributed support	<u>(406,419)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,791,711</u>	<u>\$ 158,888</u>	<u>\$ 22,216,722</u>

The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1999 and 1998

NOTE C - CONTRIBUTED SUPPORT RECEIVABLE (continued)

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

NOTE D - CONDITIONAL CONTRIBUTED SUPPORT

The Tech has received a funding commitment from the City for \$1,300,000 of annual support which is conditioned on the City's annual ability to fund the contribution. The Tech received a prorated amount in 1998 as the new museum opened in October 1998. The contribution is for operation and maintenance costs and spans the life of the related lease discussed in Note C. In addition, the Tech received a conditional pledge of \$900,000 from a donor, of which \$300,000 and \$250,000 was received in 1999 and 1998 respectively. The remaining pledge of \$350,000 is conditioned on the donor's ability to fund the contribution. These contributions have not been reflected in the accompanying financial statements given their conditional nature.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 1999:

	<u>1999</u>	<u>1998</u>
Exhibits	\$ 23,908,090	\$ 22,608,895
Furniture, fixtures and improvements	4,922,000	4,260,173
Leasehold improvements	<u>9,626,770</u>	<u>7,427,805</u>
	38,456,870	34,296,873
Less: accumulated depreciation	<u>8,878,092</u>	<u>4,292,853</u>
	<u>\$ 29,578,768</u>	<u>\$ 30,004,020</u>

Depreciation expense for the years ended December 31, 1999 and 1998 was \$4,585,239 and \$1,156,093, respectively.

The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1999 and 1998

NOTE F - NOTE PAYABLE

The note payable to bank in the amount of \$560,000 is an unsecured term loan due December, 2003. Principal payments of \$11,667 are due each month. The loan bears interest equal to the bank's reference rate (9.00% at December 31, 1999).

Maturities of the loan for the years following 1999 are as follows:

2000	\$ 140,000
2001	140,000
2002	140,000
2003	<u>140,000</u>
	\$ <u>560,000</u>

NOTE G - LINE OF CREDIT

The Tech has available a \$1,500,000 bank line of credit. The line of credit bears interest equal to the bank's reference rate plus .5% (8.5% at December 31, 1999). The credit agreement expires October 1, 2000. There was no outstanding balance on this line of credit at December 31, 1999 or 1998.

NOTE H - RELATED PARTY TRANSACTIONS

For the years ended December 31, 1999 and 1998, the Tech received cash and stock contributions and equipment donations amounting to \$4,871,457 and \$11,921,357, respectively, from members of the Board of Directors of The Tech or companies with which the Board of Directors are affiliated. These receipts were recorded as revenue in the year pledged.

NOTE I - COMMITMENTS

The Tech is obligated under noncancelable operating leases for office and storage space which expire on June 30, 2001. Future minimum noncancelable lease payments under the Tech's leases are as follows:

Year ending December 31,

2000	\$ 161,960
2001	167,350
2002	167,840
2003	173,230
2004	71,310
2005 and thereafter	<u>248,000</u>
	\$ <u>989,690</u>

The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1999 and 1998

NOTE I - COMMITMENTS (continued)

In 1999 and 1998, total rent expense was \$1,850,350 and \$604,725, respectively, including \$1,404,000 and \$194,400 representing the contributed use of the facility for 1999 and 1998, respectively.

The Tech has a 10-year lease commitment for the IMAX theater which the Tech elected to prepay in full in 1998. The Tech will recognize lease expense of \$213,400, annually, through 2008.

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

NOTE J - MAJOR CONTRIBUTIONS

In 1999, six donors accounted for 57% of contributed support. In 1998, four donors accounted for 31% of contributed support.

NOTE K - EMPLOYEE BENEFIT PLANS

The Tech provides a defined contribution plan for all full-time employees. The plan provides for employee contributions plus employer contributions at The Tech's discretion. The Tech contributed \$119,160 for the year ended December 31, 1999.

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 fund is comprised of two mutual funds and had a fair value of \$302,990 at December 31, 1999. The fund was created with the monies contributed by the 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 determined by the Executive Committee of the Board of Directors of The Tech. At December 31, 1999, The Tech had awarded options to six employees, none of which were exercisable at December 31, 1999. Included in accrued liabilities at December 31, 1999 is \$302,990 associated with this plan.

The Tech Museum of Innovation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1999 and 1998

NOTE L - NET ASSETS

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

	<u>1999</u>		<u>1998</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Education and programs	\$ 2,287,530	\$ 5,186,346	\$ 2,038,989	\$ 200,000
In kind equipment pledges	173,340	-	-	-
Capital campaign support receivable	1,275,763	-	2,621,099	-
City of San Jose, restricted for 2000 operations	108,333	-	-	-
Annual campaign support receivable	634,617	-	866,870	-
Use of facilities	<u>22,159,765</u>	<u>-</u>	<u>22,216,722</u>	<u>-</u>
	<u>\$ 26,639,348</u>	<u>\$ 5,186,346</u>	<u>\$ 27,743,680</u>	<u>\$ 200,000</u>

NOTE M - NET ASSETS RELEASED FROM RESTRICTION

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 restriction as follows for the years ended December 31,:

	<u>1999</u>	<u>1998</u>
Purposes restrictions accomplished:		
Education	\$ 1,099,349	\$ 424,884
New museum	1,684,865	32,551,892
Time restriction met:		
Annual campaign receivables collected	786,118	2,159,780
Rent expense (contributed)	<u>1,404,000</u>	<u>194,400</u>
	<u>\$ 4,974,332</u>	<u>\$ 35,330,956</u>