

THE TECHNOLOGY CENTER OF SILICON VALLEY
FINANCIAL STATEMENTS
Years ended December 31, 1990 and 1989

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REPORT OF INDEPENDENT AUDITORS

**The Board of Directors
The Technology Center of Silicon Valley**

We have audited the accompanying balance sheets of The Technology Center of Silicon Valley as of December 31, 1990 and 1989, and the related statements of support and revenue, expenses and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 Technology Center of Silicon Valley at December 31, 1990 and 1989, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young

April 17, 1991

**THE TECHNOLOGY CENTER OF SILICON VALLEY
BALANCE SHEETS**

	December 31, 1990				December 31, 1989				
	Operating Funds		San Jose Citizens' Committee Fund		Operating Funds		San Jose Citizens' Committee Fund		
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 685,182	\$ 109,895	\$ -	\$ 2,043	\$ 797,120	\$ 775,877	\$ 1,109,655	\$ 2,193,853	
Prepaid expenses and other current assets	22,915	107,585	-	25,621	156,121	-	-	23,345	
Inventories	-	-	-	31,031	31,031	-	-	-	
Total current assets	708,097	217,480	-	58,695	984,272	775,877	1,109,655	2,217,198	
Property and equipment:									
Exhibits and furnishings	-	-	-	6,464,901	6,464,901	-	-	-	
Furniture, fixtures and equipment	-	148,633	91,415	48,085	288,133	148,633	89,178	237,811	
Leasehold improvements	-	-	-	1,731,983	1,731,983	-	-	-	
Less accumulated depreciation	-	(140,375)	(50,403)	(325,596)	(516,374)	(90,831)	(39,258)	(130,089)	
Construction-in-process	-	8,258	41,012	7,919,373	7,968,643	57,802	49,920	107,722	
Interfund receivable	77,680	211,760	-	-	289,440	824,207	-	1,104,016	
Other assets	220,938	-	976,953	-	1,197,891	-	-	-	
	20,000	-	20,000	-	40,000	-	20,000	40,000	
	<u>\$1,026,715</u>	<u>\$ 437,498</u>	<u>\$1,037,965</u>	<u>\$7,978,068</u>	<u>\$10,480,246</u>	<u>\$1,657,886</u>	<u>\$1,179,575</u>	<u>\$3,468,936</u>	
LIABILITIES AND FUND BALANCES									
Current liabilities:									
Accounts payable	\$ 493,034	\$ 214,380	\$ -	\$ 40,476	\$ 533,510	\$ 5,220	\$ -	\$ 120,491	
Deferred restricted contributions	-	-	-	125,780	340,160	555,005	-	555,005	
Total current liabilities	493,034	214,380	-	166,256	873,670	115,271	-	675,496	
Deferred restricted contributions	-	-	-	-	-	465,758	-	465,758	
Interfund payable (Note D)	976,953	86,860	-	134,078	1,197,891	-	-	-	
Fund balances:									
Unrestricted	(443,272)	-	-	-	(443,272)	-	-	516,204	
Restricted	-	136,258	-	-	136,258	631,903	-	631,903	
San Jose Citizens' Committee	-	-	1,037,965	-	1,037,965	-	1,179,575	1,179,575	
Garage	-	-	-	7,677,734	7,677,734	-	-	-	
	<u>\$1,026,715</u>	<u>\$ 437,498</u>	<u>\$1,037,965</u>	<u>\$7,978,068</u>	<u>\$10,480,246</u>	<u>\$631,475</u>	<u>\$1,179,575</u>	<u>\$3,468,936</u>	

See accompanying notes.

THE TECHNOLOGY CENTER OF SILICON VALLEY
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

	Year Ended December 31, 1990			Year Ended December 31, 1989		
	Operating Funds		San Jose Citizens' Committee Fund	Operating Funds		San Jose Citizens' Committee Fund
	Unrestricted	Restricted		Unrestricted	Restricted	
Support and revenue:						
Contributions	\$ 1,985,351	\$ 1,585,985	\$ 32,299	\$ 682,053	\$ 87,500	\$ 2,112,584
Donated property, services and rent	200,167	3,941,306	-	144,130	31,160	356,042
Admissions and fees	86,360	-	-	55,435	-	89,925
Store revenue	-	-	-	37,556	-	-
Interest income	149,841	-	-	129	-	158,136
Total support and revenue	2,421,719	5,527,291	32,299	919,303	118,660	2,716,687
Expenses:						
Exhibits and programs	464,857	166,754	-	1,218,410	-	832,136
Development and public relations	271,978	1,976	-	220,042	498	370,237
Administration	464,447	-	11,145	-	9,006	443,175
Total expenses	1,201,282	168,730	11,145	1,438,452	9,504	1,645,548
Excess (deficiency) of support and revenue over expenses	1,220,437	5,358,561	21,154	(519,149)	109,156	1,071,139
Beginning fund balances	516,204	631,903	1,179,575	-	1,068,280	1,256,543
Add (deduct) transfers (Note D)	(2,179,913)	(5,854,206)	(162,764)	8,196,883	2,139	-
Ending fund balances	\$ (443,272)	\$ 136,258	\$ 1,037,965	\$ 7,677,734	\$ 531,903	\$ 2,327,682

See accompanying notes.

THE TECHNOLOGY CENTER OF SILICON VALLEY
STATEMENTS OF CASH FLOWS
Increase (decrease) in cash and cash equivalents

	<u>Years Ended December 31,</u>	
	<u>1990</u>	<u>1989</u>
Operating activities:		
Excess of support and revenue over expenses	\$ 6,081,003	\$1,071,139
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:		
Depreciation	386,285	58,550
Donated equipment	(3,693,698)	(225,020)
Deferred restricted contributions	(680,603)	716,505
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(132,776)	49,749
Inventory	(31,031)	-
Accounts payable	<u>413,019</u>	<u>(3,531)</u>
Net cash provided by operating activities	2,342,199	1,667,392
Investing activities –		
Purchase of property and equipment	<u>(3,738,932)</u>	<u>(912,295)</u>
Net cash used for investing activities	<u>(3,738,932)</u>	<u>(912,295)</u>
Increase (decrease) in cash and cash equivalents	(1,396,733)	755,097
Cash and cash equivalents at beginning of year	<u>2,193,853</u>	<u>1,438,756</u>
Cash and cash equivalents at end of year	<u>\$ 797,120</u>	<u>\$2,193,853</u>

See accompanying notes.

THE TECHNOLOGY CENTER OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 1990

Note A. Significant accounting policies

The Technology Center of Silicon Valley (the Center) was incorporated on January 11, 1983 as a nonprofit public benefit corporation. The specific purpose of the Center is to administer the financing and construction of and ultimately to operate a high technology science center (Science Center).

The Center has entered into an agreement with the City of San Jose for the lease of certain building space for a nominal fee. The building space will house the Center's temporary science center (the Garage) until the permanent facility is completed (see Note C). The Garage commenced operations in the fall of 1990.

Fund accounting: The accounts of the Center are maintained in accordance with the principles of "fund accounting" to ensure observance of limitations and restrictions placed on the use of the resources available to the Center. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

The assets, liabilities and fund balances of the Center are reported in three self-balancing fund groups as follows:

Operating funds

Operating funds, which include unrestricted and restricted resources, represent the portion of expendable funds that are available for support of the Center's operations. Operating funds restricted by the donor or the outside party for particular operating purposes are deemed to be earned and reported as revenues of operating funds when the Center has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as restricted deferred amounts. Donations of cash or furniture, fixtures and equipment for use in the Center's public programs are recorded in the restricted operating fund. Funds expended for furniture, fixtures and equipment used by the Center in administering its operations are recorded in the unrestricted operating fund.

THE TECHNOLOGY CENTER OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 1990

Note A. Significant accounting policies (continued)

Fund accounting (continued):

San Jose Citizens' Committee (SJCC) Fund

Funds received from San Jose Citizens' Committee (SJCC) are accounted for in a separate fund. In January 1988, the Center finalized an agreement with SJCC regarding a joint fund-raising campaign, which has been in progress since 1984, the goal of which is to obtain donations of monies to be applied to the development of the Science Center. At the conclusion of the campaign, all contributions credited to the SJCC Fund will be transferred to the San Jose Redevelopment Agency (SJRDA) under a separate agreement. The Center and SJRDA have agreed that the SJRDA will construct the Science Center, which will be leased by the Center from SJRDA for a nominal fee (see Note C).

Capital Equipment Fund

Funds expended for furniture, fixtures and equipment used by the Center in administering its operations are recorded in the Capital Equipment Fund. The Capital Equipment Fund balance is \$49,920 and \$41,011 at December 31, 1989 and 1990, respectively. This fund has been grouped with the SJCC Fund for financial statement presentation.

Garage Fund

In 1990, the Center created the Garage Fund to account for the specific operations of the Garage which commenced operations in the fall of 1990. The Garage Fund consists primarily of exhibits and leasehold improvements, which are transferred from the unrestricted and restricted operating funds upon completion, expenses incurred in the operation of the Garage as well as revenues earned in admissions, fees and store sales.

THE TECHNOLOGY CENTER OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 1990

Note A. Significant accounting policies (continued)

Property, equipment and leasehold improvements: Property, equipment and leasehold improvements are stated at cost for assets acquired and at estimated fair value for assets contributed. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. 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 lease.

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

Donated property, services and rent: The Center includes the estimated fair value of donated services, leased equipment and facility space as both revenue and expense in the periods that benefit of such services, equipment and space are realized.

Equipment donated with specific provisions for its use is recognized as support and revenue over the shorter of the restriction period or the estimated useful life of the equipment.

Cash equivalents: The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Note B. Related party transactions

For the years ended December 31, 1990 and 1989, the Center received cash contributions and equipment donations amounting to \$3,554,000 and \$2,415,031, respectively, from members of the Board of Directors or companies with which they are affiliated.

Note C. Science Center

In December 1984, the Center reached an agreement in principle with the City of San Jose to locate the Science Center on a site donated by the City.

THE TECHNOLOGY CENTER OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 1990

Note C. Science Center (continued)

In January 1988, the Center finalized an agreement with the SJRDA regarding the construction of the Science Center. In accordance with the agreement, the SJRDA will own the Science Center and lease it to the Center for a nominal fee. The Center and the SJCC set a goal of \$10,000,000 from their own fund raising efforts to be contributed to the cost of the Science Center. Currently, all proceeds received as a result of this fund raising effort are being accumulated in the San Jose Citizens' Committee Fund. At the time of ground breaking, the Center will remit the entire balance in the SJCC Fund to the SJRDA for the construction of the Science Center (see Note D).

The SJRDA agreement also states that the SJRDA will advance funds to the Center for site preparation and building design expenses related to the construction of the Science Center. The funds advanced are accumulated in the restricted operating fund. When expended, equal amounts of revenue and expense are recognized in the restricted operating fund. The SJRDA has advanced \$100,000 to the Center for this purpose which \$53,208 remains available in the restricted operating fund at December 31, 1990.

Note D. Interfund borrowings and transfers

The Center's agreement with the SJCC provides that funds credited to the SJCC Fund may be borrowed by the unrestricted operating fund for the payment of certain expenses incurred by the Center. All funds borrowed, which are interest free, must be repaid to the SJCC Fund prior to commencing construction of the Science Center. At December 31, 1990, \$976,953 was borrowed under this agreement.

At December 31, 1990, the unrestricted operating fund has loaned Garage Fund \$134,078 for use in funding the Garage's operations and loaned \$86,860 to the restricted fund for exhibition construction in advance of the close of escrow on the Center's 50% interest in certain real property (see Note F).

THE TECHNOLOGY CENTER OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 1990

Note D. Interfund borrowings and transfers (continued)

Interfund transfers for the year ended December 31, 1990 consist of transfers from the unrestricted and restricted operating funds of \$2,342,677 and \$5,854,206, respectively, to the Garage Fund. Such amounts represent the cost of exhibits and leasehold improvements currently being used in garage operations. In 1990, \$165,000 was transferred from the SJCC Fund to the restricted operating fund at the donor's request.

Note E. Income taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable California statutes.

Note F. Interest in real property

During 1990, the Technology Center received a restricted donation in the form of a 50% interest in certain real property. The Center has recorded this donation at the amount of net proceeds expected from the sale of this property (\$107,585) and classified it as other current assets of the restricted fund.

The donor has an agreement with the Center to fund any negative cash flows on the property through July 31, 1991.