THE TECH MUSEUM OF INNOVATION

Financial Statements
and

ports of independent Certified Public Accountants

Required by OMB Circular A-133

December 31, 1995
# Contents

<table>
<thead>
<tr>
<th>Report/Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Certified Public Accountants</td>
<td>3</td>
</tr>
<tr>
<td><strong>Financial Statements</strong></td>
<td></td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Activities and Changes in Net Assets</td>
<td>5</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>7</td>
</tr>
<tr>
<td>Report of Independent Certified Public Accountants on Schedule of Federal Awards</td>
<td>14</td>
</tr>
<tr>
<td>Schedule of Federal Awards</td>
<td>15</td>
</tr>
<tr>
<td>Report of Independent Certified Public Accountants on the Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</td>
<td>16</td>
</tr>
<tr>
<td>Report of Independent Certified Public Accountants on Compliance with Laws, Regulations, Contracts and Grants Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</td>
<td>18</td>
</tr>
<tr>
<td>Report of Independent Certified Public Accountants on Internal Control Structure Used in Administering Federal Awards</td>
<td>19</td>
</tr>
<tr>
<td>Report of Independent Certified Public Accountants on Compliance with Specific Requirements Applicable to Major Programs</td>
<td>22</td>
</tr>
<tr>
<td>Report of Independent Certified Public Accountants on Compliance with General Requirements Applicable to Federal Programs</td>
<td>23</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>24</td>
</tr>
<tr>
<td>Status of Prior Year Findings and Questioned Costs</td>
<td>25</td>
</tr>
</tbody>
</table>
Report of Independent Certified Public Accountants

Grant Thornton LLP
Accountants and Management Consultants
The U.S. Member Firm of
Grant Thornton International

Board of Directors
The Tech Museum of Innovation

We have audited the accompanying statement of financial position of The Tech Museum of Innovation (a California nonprofit corporation) as of December 31, 1995, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 audit provides 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 Tech Museum of Innovation as of December 31, 1995, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As described in Note B to the financial statements, The Tech Museum of Innovation has adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 116, Accounting for Contributions Received and Made. Also, the Organization has presented the financial statements as prescribed by SFAS No. 117, Financial Statements of Not-For-Profit Organizations.

In accordance with Government Auditing Standards, we have also issued a report dated August 23, 1996 on our consideration of the Organization's internal control structure and a report dated August 23, 1996 on its compliance with laws and regulations.

San Jose, California
August 23, 1996
The Tech Museum of Innovation

STATEMENT OF FINANCIAL POSITION

December 31, 1995

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 1,450</td>
<td>$ 535,819</td>
<td>$ -</td>
<td>$ 537,269</td>
</tr>
<tr>
<td>Receivable from the sale of investments</td>
<td>-</td>
<td>25,487</td>
<td>-</td>
<td>25,487</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>4,865,643</td>
<td>106,900</td>
<td>4,972,543</td>
</tr>
<tr>
<td>Contributed support receivable, net</td>
<td>131,033</td>
<td>4,153,429</td>
<td>-</td>
<td>4,284,462</td>
</tr>
<tr>
<td>Public support receivable, net</td>
<td>-</td>
<td>2,713,966</td>
<td>-</td>
<td>2,713,966</td>
</tr>
<tr>
<td>Grants receivable, prepaids and other</td>
<td>58,044</td>
<td>9,755</td>
<td>-</td>
<td>67,799</td>
</tr>
<tr>
<td>Inventory</td>
<td>51,996</td>
<td>-</td>
<td>-</td>
<td>51,996</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>425,304</td>
<td>-</td>
<td>-</td>
<td>425,304</td>
</tr>
<tr>
<td>Construction-in-progress</td>
<td>459,016</td>
<td>-</td>
<td>-</td>
<td>459,016</td>
</tr>
<tr>
<td>Other assets</td>
<td>5,000</td>
<td>13,254</td>
<td>-</td>
<td>18,254</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,131,843</strong></td>
<td><strong>$ 12,317,353</strong></td>
<td><strong>$ 106,900</strong></td>
<td><strong>$ 13,556,096</strong></td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 86,146</td>
<td>$ 155,253</td>
<td>$ -</td>
<td>$ 241,399</td>
</tr>
<tr>
<td>Payable (receivable) between net asset categories</td>
<td>567,146</td>
<td>(574,046)</td>
<td>6,900</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>653,292</td>
<td>(418,793)</td>
<td>6,900</td>
<td>241,399</td>
</tr>
</tbody>
</table>

Net assets

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>(405,769)</td>
<td>-</td>
<td>-</td>
<td>(405,769)</td>
</tr>
<tr>
<td>Designated for property, equipment and construction in progress</td>
<td>884,320</td>
<td>-</td>
<td>-</td>
<td>884,320</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>-</td>
<td>12,736,146</td>
<td>-</td>
<td>12,736,146</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Total net assets</td>
<td>478,551</td>
<td>12,736,146</td>
<td>100,000</td>
<td>13,314,697</td>
</tr>
</tbody>
</table>

| **Total** | **$ 1,131,843** | **$ 12,317,353** | **$ 106,900** | **$ 13,556,096** |

The accompanying notes are an integral part of this statement.
The Tech Museum of Innovation

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 1995

<table>
<thead>
<tr>
<th>Support and revenue:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed support, net</td>
<td>$1,022,810</td>
<td>$6,615,781</td>
<td>$30,000</td>
<td>$7,668,591</td>
</tr>
<tr>
<td>Donated property, services and rent</td>
<td>544,911</td>
<td>167,696</td>
<td>-</td>
<td>732,607</td>
</tr>
<tr>
<td>Federal awards</td>
<td>140,802</td>
<td>-</td>
<td>-</td>
<td>140,802</td>
</tr>
<tr>
<td>Admissions and fees</td>
<td>344,192</td>
<td>-</td>
<td>-</td>
<td>344,192</td>
</tr>
<tr>
<td>Interest income</td>
<td>-</td>
<td>166,859</td>
<td>-</td>
<td>166,859</td>
</tr>
<tr>
<td>Net investment realized/unrealized gain</td>
<td>-</td>
<td>49,732</td>
<td>-</td>
<td>49,732</td>
</tr>
<tr>
<td>Store revenue</td>
<td>164,484</td>
<td>-</td>
<td>-</td>
<td>164,484</td>
</tr>
<tr>
<td>Other income</td>
<td>5,761</td>
<td>1,126</td>
<td>-</td>
<td>6,907</td>
</tr>
<tr>
<td><strong>Net assets released from restriction:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restrictions</td>
<td>2,786,284</td>
<td>(2,786,284)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>5,009,064</td>
<td>4,234,910</td>
<td>30,000</td>
<td>9,273,974</td>
</tr>
</tbody>
</table>

Expenses:

<table>
<thead>
<tr>
<th>Program services</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Museum project</td>
<td>338,201</td>
<td>-</td>
<td>-</td>
<td>338,201</td>
</tr>
<tr>
<td>Exhibits, programs, and experiences</td>
<td>2,975,548</td>
<td>-</td>
<td>-</td>
<td>2,975,548</td>
</tr>
<tr>
<td>Visitor services</td>
<td>533,205</td>
<td>-</td>
<td>-</td>
<td>533,205</td>
</tr>
<tr>
<td>Education</td>
<td>351,602</td>
<td>-</td>
<td>-</td>
<td>351,602</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development and public relations</td>
<td>796,634</td>
<td>-</td>
<td>-</td>
<td>796,634</td>
</tr>
<tr>
<td>Management and general</td>
<td>440,417</td>
<td>-</td>
<td>-</td>
<td>440,417</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>5,435,607</td>
<td>-</td>
<td>-</td>
<td>5,435,607</td>
</tr>
</tbody>
</table>

Change in net assets before cumulative effect of change in accounting principle

| (426,543) | 4,234,910 | 30,000 | 3,838,357 |           |

Cumulative effect of change in accounting principle

| 7,225     | 6,673,689 | (1,297) | 6,679,617 |           |

Change in net assets

| (419,318) | 10,908,599 | 28,703 | 10,517,984 |           |

Net assets at beginning of year

| 897,869   | 1,827,547  | 71,297 | 2,796,713  |           |

Net assets at end of year

| $476,551  | $12,736,146 | $100,000 | $13,314,697 |           |

The accompanying notes are an integral part of this statement.
Cash flows from operating activities:
  Change in net assets $10,517,984
  Cumulative effect of change in accounting principle (6,879,617)
  Adjustments to reconcile change in net assets to net cash used in
  operating activities:
    Depreciation 1,115,972
    Provision for estimated uncollectible contributed support 235,403
    Contributions restricted for long-term investment (6,868,226)
  Changes in operating assets and liabilities:
    Support receivables (1,494,441)
    Grants receivable, prepaids, inventory and other 16,951
    Net unrealized gains (15,612)
    Accounts payable and accrued expenses 14,339
    Net cash used by operating activities (3,157,247)

Cash flows from investing activities:
  Additions to property and equipment and construction-in-progress (488,292)
  Acquisitions of investments (9,666,525)
  Proceeds from sales of investments 5,942,107
  Net cash used in investing activities (4,212,710)

Cash flows from financing activities:
  Contributions restricted for long-term investment 6,868,226

NET DECREASE IN CASH AND CASH EQUIVALENTS (501,731)

Cash and cash equivalents, beginning of year 1,039,000

Cash and cash equivalents, end of year $ 537,269

Supplemental schedule of noncash investing activities:
The Organization received donations of equipment of approximately $192,000 and investments of
approximately $3,200,000.

The accompanying notes are an integral part of this statement.
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 specific purpose of The Tech is to administer the financing, construction and operation of a high technology science museum.

The Tech has entered into an agreement with the City of San Jose (the "City") for the lease of certain building space for a nominal fee. The building space will house The Tech's temporary science museum until the permanent facility is completed. The Tech will ultimately lease the permanent facility from the City under similar terms. 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. This category includes those funds restricted for project management and exhibit development costs associated with the permanent facility.

- *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. 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.

4. Accrual Basis

The financial statements of The Tech have been prepared on the accrual basis of accounting.

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

6. Investments

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

7. Concentration of Credit Risk

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

8. 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.

9. Property and Equipment

Property and equipment are stated at cost for purchased assets and at estimated fair value for contributed assets. Depreciation is computed by the straight-line method over the estimated useful lives of the assets which range 3 - 5 years. Leasehold improvements are amortized by the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease.

10. Construction-In-Progress

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

11. Donated Property, Services and Rent

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.
12. 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.

13. 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’s allowance for estimated uncollectible contributed support receivables of $351,599 is a particularly significant estimate. 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.

14. 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.

15. Financial Instruments

The fair value of The Tech’s financial instruments (cash and investments) approximates carrying value.

16. 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.
NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

18. Reclassifications

Certain reclassifications have been made to the 1994 balances to conform to the 1995 presentation.

NOTE B - CHANGE IN ACCOUNTING PRINCIPLES AND PRESENTATION

Effective January 1, 1995, The Tech formally adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Made*. SFAS No. 116 requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The cumulative effect of this change in accounting principle was to increase beginning net assets by $6,679,617. The adoption of SFAS No. 116 increased the 1995 change in net assets by $487,774 when compared to what would have been recorded under the prior methodology.

Effective January 1, 1995, The Tech adopted the provisions of SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. Although the adoption of SFAS No. 117 does not affect the total net assets, the format of the financial statements has changed significantly.

Also, effective January 1, 1995, The Tech adopted the provisions of SFAS No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. SFAS No. 124 requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses included in a statement of activities. Adoption of this statement did not have a significant impact on the financial results of The Tech.
NOTE C - CASH AND INVESTMENTS

Information relative to cash and investments is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Net Realized Income</th>
<th>Net Realized Gains</th>
<th>Net Unrealized Gains</th>
<th>Net Unrealized Gain</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government Securities</td>
<td>$ 127,226</td>
<td>-</td>
<td>-</td>
<td>$ -</td>
<td>$ 4,810,003</td>
</tr>
<tr>
<td>Equity Securities</td>
<td>-</td>
<td>34,120</td>
<td>-</td>
<td>34,120</td>
<td>55,640</td>
</tr>
<tr>
<td>Pooled Fund</td>
<td>1,265</td>
<td>-</td>
<td>15,612</td>
<td>15,612</td>
<td>106,900</td>
</tr>
<tr>
<td>Cash</td>
<td>38,368</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>537,269</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 166,859</strong></td>
<td><strong>$ 34,120</strong></td>
<td><strong>$ 15,612</strong></td>
<td><strong>$ 49,732</strong></td>
<td><strong>$ 5,509,812</strong></td>
</tr>
</tbody>
</table>

NOTE D - CONTRIBUTED SUPPORT RECEIVABLE

Contributed support receivables are recorded after discounting the future cash flows to present value. Maturities of these receivables are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Contributed Support</th>
<th>Public Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>$ 3,042,664</td>
<td>$ 1,933,399</td>
</tr>
<tr>
<td>1997</td>
<td>1,370,695</td>
<td>1,000,000</td>
</tr>
<tr>
<td>1998</td>
<td>486,069</td>
<td>-</td>
</tr>
<tr>
<td>1999</td>
<td>90,126</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4,989,554</td>
<td>2,933,399</td>
</tr>
<tr>
<td>Less discount for present value</td>
<td>(353,493)</td>
<td>(219,433)</td>
</tr>
<tr>
<td>Less allowance for estimated uncollectible contributed support</td>
<td>(351,599)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>$ 4,284,462</strong></td>
<td><strong>$ 2,713,966</strong></td>
</tr>
</tbody>
</table>

The contributed support receivables are generally restricted to the design, construction and installation of exhibits and property and equipment for the permanent facility and related marketing, fund raising and other services.
NOTE E - CONDITIONAL CONTRIBUTED SUPPORT

The Tech was notified of conditional contributions totaling $2,859,438 in 1994. Each contribution required the fulfillment of certain conditions including matching requirements and funding commitments from the City. During 1995, $2,359,438 was recognized as contributed support when the donors' conditions were met. At December 31, 1995, $500,000 remained conditional and has not been reflected in the accompanying financial statements. These contributions are restricted to costs of the new museum.

The Tech has received a funding commitment from the City for $1,300,000 of annual support which is conditioned on the opening of the new museum and the City's annual ability to fund the contribution. The contribution is for operation and maintenance costs and spans the life of the related lease discussed in Note F. This contribution has not been reflected in the accompanying financial statements as the donor-imposed conditions had not been met as of December 31, 1995.

NOTE F - CITY OF SAN JOSE AND SAN JOSE REDEVELOPMENT AGENCY

In 1994, The Tech signed revised and updated agreements with both the City and the San Jose Redevelopment Agency ("SJRDA") with respect to the construction of a new museum facility. In accordance with the agreements, the SJRDA will construct the museum which the City will own and lease to The Tech for 55 years at a nominal fee. The Tech is responsible for raising the funds for developing and installing exhibits, leasehold improvements and equipment. Completion of this project is anticipated for 1998.

The SJRDA agreement also provides for contributions to The Tech for certain exhibit development and project management costs. At December 31, 1995, The Tech has a contributed public support receivable of $880,575 outstanding related to present value of the unremitted portion. The agreement with the City provides for the conditional contribution discussed in Note E as well as a contribution to fund start-up costs for which The Tech has recorded a contributed public support receivable of $1,833,391 representing the present value of the amounts to be received.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 1995:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibits and furnishings</td>
<td>$ 6,335,363</td>
</tr>
<tr>
<td>Furniture, fixtures and improvements</td>
<td>571,110</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>2,099,618</td>
</tr>
<tr>
<td>Total</td>
<td>9,307,091</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>8,881,787</td>
</tr>
<tr>
<td>Total</td>
<td>$ 425,304</td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended December 31, 1995 was $1,115,972.
NOTE H - RELATED PARTY TRANSACTIONS

For the year ended December 31, 1995, The Tech received cash and stock contributions and equipment donations amounting to $4,410,000, primarily from members of the Board of Directors of The Tech or companies with which the Board of Directors are affiliated. At December 31, 1995, the present value of contributed support receivables from these related parties approximated $3,000,000.

NOTE I - COMMITMENTS

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

<table>
<thead>
<tr>
<th>Year ending December 31.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>$119,647</td>
</tr>
<tr>
<td>1997</td>
<td>128,925</td>
</tr>
<tr>
<td>1998</td>
<td>135,229</td>
</tr>
<tr>
<td>1999</td>
<td>108,111</td>
</tr>
<tr>
<td></td>
<td><strong>$492,812</strong></td>
</tr>
</tbody>
</table>

In 1995, total rent expense was $224,226 which included $129,600 representing donated use of space.

NOTE J - MAJOR CONTRIBUTIONS

In 1995, two donors accounted for 32% of contribution revenue.

NOTE K - EMPLOYEE BENEFIT PLAN

The Tech provides a defined contribution plan for all full-time employees. The plan provides for employee contributions although The Tech does not contribute at this time.
Report of Independent Certified Public Accountants
on Schedule of Federal Awards

Board of Directors
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation as of and for the year ended December 31, 1995, and have issued our report thereon dated August 23, 1996. These financial statements are the responsibility of The Tech Museum of Innovation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of The Tech Museum of Innovation taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Grant Thornton LLP
San Jose, California
August 23, 1996
The Tech Museum of Innovation

**SCHEDULE OF FEDERAL AWARDS**

December 31, 1995

<table>
<thead>
<tr>
<th>Federal Grantor Program Title</th>
<th>Federal CFDA Number</th>
<th>Grantor's Number</th>
<th>Program Award Amount</th>
<th>Federal Award Revenue</th>
<th>Federally Funded Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Science Foundation (one major program)</td>
<td>47.076</td>
<td>TPE-9155340</td>
<td>$384,054</td>
<td>$86,916</td>
<td>$86,916</td>
</tr>
<tr>
<td>&quot;Extending Science Education - Teaching With and About Technology&quot;</td>
<td>47.076</td>
<td>ESI-9552566</td>
<td>$306,676</td>
<td>$53,686</td>
<td>$53,686</td>
</tr>
</tbody>
</table>
Board of Directors
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation, as of and for the year ended December 31, 1995, and have issued our report thereon dated August 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of The Tech Museum of Innovation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of The Tech Museum of Innovation for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weakness as defined above.
We noted other matters involving the internal control structure and its operation that we have communicated to the management of The Tech Museum of Innovation in a separate letter dated August 23, 1996.

This report is intended for the information of the Board of Directors, management, and the National Science Foundation. However, this report is a matter of public record and its distribution is not limited.

San Jose, California
August 23, 1996
Report of Independent Certified Public Accountants on
Compliance with Laws, Regulations, Contracts and Grants
Based on an Audit of Financial Statements Performed in
 Accordance with Government Auditing Standards

Board of Directors
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation, as of and for the year ended December 31, 1995, and have issued our report thereon dated August 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts and grants applicable to The Tech Museum of Innovation is the responsibility of The Tech Museum of Innovation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of The Tech Museum of Innovation's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management, and the National Science Foundation. However, this report is a matter of public record and its distribution is not limited.

San Jose, California
August 23, 1996

[Signature]

-18-
Board of Directors
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation, as of and for the year ended December 31, 1995, and have issued our report thereon dated August 23, 1996. We have also audited The Tech Museum of Innovation's compliance with requirements applicable to major federal programs and have issued our report thereon dated August 23, 1996.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether The Tech Museum of Innovation complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audits for the year ended December 31, 1995, we considered The Tech Museum of Innovation's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on The Tech Museum of Innovation's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated August 23, 1996.

The management of The Tech Museum of Innovation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal awards programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.
For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

**Activity Cycles and Accounting Applications**
- Purchases/disbursements/accounts payable
- Payroll/personnel
- General ledger
- Billings/cash receipts/accounts receivable

**General Requirements**
- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs and cost principles
- Drug-free workplace
- Administrative requirements

**Specific Requirements**
- Types of services allowed or not allowed
- Reporting
- Special tests and provisions

**Claims for Advances and Reimbursements**

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1995, The Tech Museum of Innovation expended 100 percent of its total federal awards under one major program.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements that are applicable to The Tech Museum of Innovation's major program, which is identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to noncompliance with laws and regulations that would be material to a federal awards program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as described above.
However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of The Tech Museum of Innovation in a separate letter dated August 23, 1996.

This report is intended for the information of the Board of Directors, management, and the National Science Foundation. However, this report is a matter of public record and its distribution is not limited.

[Signature]

San Jose, California
August 23, 1996
Board of Directors
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation, as of and for the year ended December 31, 1995, and have issued our report thereon dated August 23, 1996.

We have also audited The Tech Museum of Innovation’s compliance with the requirements governing types of services allowed or not allowed; reporting; special tests and provisions; and claims for advances and reimbursements that are applicable to its major federal programs for the year ended December 31, 1995. The management of The Tech Museum of Innovation is responsible for the Tech’s compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about The Tech Museum of Innovation’s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The Tech Museum of Innovation complied, in all material respects, with the requirements governing types of services allowed or not allowed; reporting; special tests and provisions; and claims for advances and reimbursements that are applicable to its major federal program for the year ended December 31, 1995.

This report is intended for the information of the Board of Directors, management, and the National Science Foundation. However, this report is a matter of public record and its distribution is not limited.

San Jose, California
August 23, 1996
Report of Independent Certified Public Accountants on Compliance with the General Requirements Applicable to Federal Programs

Board of Directors
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation, as of and for the year ended December 31, 1995, and have issued our report thereon dated August 23, 1996.

We have applied procedures to test The Tech Museum of Innovation's compliance with the following requirements applicable to its federal program, which is identified in the accompanying Schedule of Federal Awards, for the year ended December 31, 1995.

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs and cost principles
- Drug-free workplace
- Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on The Tech Museum of Innovation's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that The Tech Museum of Innovation has not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the Board of Directors, management, and the National Science Foundation. However, this report is a matter of public record and its distribution is not limited.

[Signature]
San Jose, California
August 23, 1996

-23-
The Tech Museum of Innovation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 1995

Finding

Because The Tech receives several federally-funded grants, the Organization must comply with requirements imposed by the granting agencies. One of these requirements is that each organization receiving federal funds maintain a drug-free workplace policy which should include certain specific provisions. The Tech does maintain such a policy but one particular required provision has not been included in the policy.

Questioned Costs

None.

Recommendation

We recommend The Tech update its policy to include a provision that employees will notify the employer, in writing, of any criminal drug statute conviction for a violation occurring in the workplace, no later than 5 calendar days after such conviction.

Management’s Response

The Tech will update the drug free workplace policy to include this provision.
The Tech Museum of Innovation

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

December 31, 1995

None.