

THE TECH MUSEUM
OF INNOVATION

Financial Statements
December 31, 2005 and 2004

Together with
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Tech Museum of Innovation

We have audited the accompanying statements of financial position of The Tech Museum of Innovation (the "Organization", a California public benefit corporation) as of December 31, 2005 and 2004, and the related statements of activities and changes in net assets and of 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization at December 31, 2005 and 2004, and the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ireland San Filippo, LLP

San Jose, California
January 20, 2006

THE TECH MUSEUM OF INNOVATION

Statement of Financial Position

	December 31, 2005				December 31, 2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Cash and cash equivalents	\$ 239,151	\$ 1,169,334	\$ 1,421,338	\$ 2,829,823	\$ 359,775	\$ 986,689	\$ 35,125	\$ 1,381,589
Investments	124,280	-	11,065,469	11,189,749	118,376	-	11,967,378	12,085,754
Grants receivable, net	-	-	-	-	4,192	-	-	4,192
Other receivable	512,421	421,476	-	933,897	530,491	101,960	-	632,451
Prepaid expenses and other assets	851,722	-	-	851,722	1,089,388	-	-	1,089,388
Inventory	187,714	-	-	187,714	202,383	-	-	202,383
Pledges receivable, net	-	-	875,500	875,500	-	-	1,307,548	1,307,548
Receivable between asset categories	-	-	1,000,000	1,000,000	-	-	-	-
Receivable for contributed use of facility, net	-	21,972,637	-	21,972,637	-	22,053,432	-	22,053,432
Property and equipment, net	9,946,504	-	-	9,946,504	12,973,443	-	-	12,973,443
	<u>\$ 11,861,792</u>	<u>\$ 23,563,447</u>	<u>\$ 14,362,307</u>	<u>\$ 49,787,546</u>	<u>\$ 15,278,048</u>	<u>\$ 23,142,081</u>	<u>\$ 13,310,051</u>	<u>\$ 51,730,180</u>
LIABILITIES AND NET ASSETS								
Liabilities:								
Line of credit	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Accounts payable and accrued expenses	1,014,257	-	-	1,014,257	1,020,226	-	-	1,020,226
Loan payable	125,853	-	-	125,853	123,370	-	-	123,370
Payable between asset categories	1,000,000	-	-	1,000,000	-	-	-	-
Deferred revenue	349,707	-	-	349,707	368,274	-	-	368,274
	<u>3,489,817</u>	<u>-</u>	<u>-</u>	<u>3,489,817</u>	<u>2,511,870</u>	<u>-</u>	<u>-</u>	<u>2,511,870</u>
Net assets:								
Unrestricted:								
Undesignated	(1,722,037)	-	-	(1,722,037)	(207,265)	-	-	(207,265)
Designated for property and equipment	9,946,504	-	-	9,946,504	12,973,443	-	-	12,973,443
Designated for reinvestment	147,508	-	-	147,508	-	-	-	-
Temporarily restricted	-	23,563,447	-	23,563,447	-	23,142,081	-	23,142,081
Permanently restricted	-	-	14,362,307	14,362,307	-	-	13,310,051	13,310,051

THE TECH MUSEUM OF INNOVATION

Statement of Activities and Changes in Net Assets

Years Ended December 31,

	2005				2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Public support	\$ 1,300,000	\$ -	\$ -	\$ 1,300,000	\$ 1,300,000	\$ -	\$ -	\$ 1,300,000
Contributed support and special events, net of allowance and net present value adjustment	4,258,073	1,339,602	1,052,256	6,649,931	4,457,194	1,454,757	(144,112)	5,767,839
Donated property, services and rent	503,828	1,323,206	-	1,827,034	760,897	1,327,779	-	2,088,676
Admissions and fees	3,901,461	-	-	3,901,461	3,404,110	-	-	3,404,110
Store revenue	650,135	-	-	650,135	712,979	-	-	712,979
Federal awards	324,946	-	-	324,946	815,041	-	-	815,041
Interest income	302,897	-	-	302,897	291,175	-	-	291,175
Realized/unrealized gains (losses) on investments, net	539,017	-	-	539,017	1,163,163	-	-	1,163,163
Net assets released from restriction	2,241,442	(2,241,442)	-	-	3,014,482	(2,850,161)	(164,321)	-
Total support and revenue	14,021,799	421,366	1,052,256	15,495,421	15,919,041	(67,625)	(308,433)	15,542,983
Expenses:								
Program services:								
Exhibits, programs, and experiences	10,648,832	-	-	10,648,832	10,961,391	-	-	10,961,391
Visitor services	2,108,403	-	-	2,108,403	1,789,799	-	-	1,789,799
Education	949,222	-	-	949,222	932,425	-	-	932,425
Supporting services:								
Fundraising and special events	1,795,963	-	-	1,795,963	2,073,574	-	-	2,073,574
Membership	248,573	-	-	248,573	240,920	-	-	240,920
Management and general:								
Marketing and public relations	1,068,331	-	-	1,068,331	1,123,274	-	-	1,123,274
Administration	1,580,026	-	-	1,580,026	1,275,566	-	-	1,275,566
Loss on disposal of assets	16,652	-	-	16,652	910,385	-	-	910,385
Total expenses	18,416,002	-	-	18,416,002	19,307,334	-	-	19,307,334
Change in net assets	(4,394,203)	421,366	1,052,256	(2,920,581)	(3,388,293)	(67,625)	(308,433)	(3,764,351)

THE TECH MUSEUM OF INNOVATION

Statement of Cash Flows

Increase in Cash and Cash Equivalents

	<u>Years Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,920,581)	\$ (3,764,351)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,586,165	4,701,329
Loss on disposal of assets	16,652	910,385
Provision for estimated uncollectible contributed support	(7,992)	(22,101)
Present value adjustment, net	(13,516)	(161,478)
Donated equipment	(116,609)	(553,446)
Contributions restricted for investment in endowment	(1,052,256)	308,433
Realized and unrealized gain on investments	(539,017)	(1,163,163)
Changes in operating assets and liabilities:		
Support receivables	534,351	1,181,306
Grants receivable	4,192	124,699
Other receivable	(301,446)	(92,135)
Prepaid expenses and other assets	237,666	308,585
Inventory	14,669	(22,377)
Accounts payable and accrued expenses	(5,969)	219,891
Deferred revenue	(18,567)	45,628
Net cash provided provided by (used in) operating activities	<u>(582,258)</u>	<u>2,021,205</u>
Cash flows from investing activities:		
Purchases of property and equipment	(459,269)	(2,429,813)
Purchases of investments	(5,078,694)	(4,980,560)
Proceeds from sales of investments, net	<u>6,513,716</u>	<u>4,847,313</u>
Net cash provided by (used in) investing activities	<u>975,753</u>	<u>(2,563,060)</u>
Cash flows from financing activities:		
Net (release) contributions for investment in endowment	1,052,256	(308,433)
Proceeds from line of credit	1,000,000	1,800,000
Payment on line of credit	(1,000,000)	(1,550,000)
Proceeds from loan payable	157,902	183,753
Payment on notes payable	<u>(155,419)</u>	<u>(60,383)</u>
Net cash provided by financing activities	<u>1,054,739</u>	<u>64,937</u>
Net increase (decrease) in cash and cash equivalents	1,448,234	(476,918)
Cash and cash equivalents, beginning of year	<u>1,381,589</u>	<u>1,858,507</u>
Cash and cash equivalents, end of year	<u>\$ 2,829,823</u>	<u>\$ 1,381,589</u>

The accompanying notes are an integral part of these financials

THE TECH MUSUEM OF INNOVATION

Notes to Financial Statements

December 31, 2005

Note 1 - Organization and 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 operate a world-class technology science museum. The Tech's support and revenue comes primarily through contributions, admissions, and fees, federal awards, and store revenue.

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

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

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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

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

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Notes to Financial Statements

December 31, 2005

Note 2 - Summary of 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents - The Tech considers all highly liquid debt instruments purchased with a maturity of 3 months or less to be cash equivalents.

Supplemental cash flow information - Interest payments included in the Statement of Cash Flows were \$111,695 and \$37,477 for the years ended December 31, 2005 and 2004, respectively.

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

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

Inventory - Inventory consists principally of merchandise sold in The Tech store and is stated at the lower of cost or market on a first-in/first-out ("FIFO") basis.

Prepaid expenses and other assets - Prepaid expenses and other assets include payments on a 10-year lease commitment for the IMAX theatre, prepaid in 1998, with a remaining balance of approximately \$618,000 (see Note 13).

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Notes to Financial Statements

December 31, 2005

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

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

Property and equipment - Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of \$3,000 are capitalized. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

Contributions-in-kind - Contributions-in-kind are recognized in accordance with SFAS 116. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which The Tech would have paid for if not contributed, have been recorded at their estimated fair market value. In addition, a substantial number of volunteers have donated significant amounts of time in The Tech's program services and fund-raising activities. The value of donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

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

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

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.

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Notes to Financial Statements

December 31, 2005

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

Federal awards are subject to review and audit by the grantor agencies in accordance with the Single Audit Act and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" ("A133 audit"). Although such audits could result in expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

The Organization was subject to A133 audit for the year ended December 31, 2004 but was not subject to A133 audit for the year ended December 31, 2005.

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

Joint costs - The organization conducts activities that included requests for contributions, as well as program and management and general components. For 2005, those activities included a golf tournament. For 2004, those activities included special events and a golf tournament. The costs of these activities are accounted for as fundraising costs.

Concentration of credit risk - Financial instruments that potentially subject The Tech to credit risk consist primarily of cash, cash equivalents, investments, and contributed support receivable.

The Tech maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments, bonds with maturities of 90 days or less, and money market funds. At times, such amounts might exceed FDIC limits. The Tech's investments have been placed with high quality financial institutions. The Tech closely monitors these investments and has not experienced significant credit losses.

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

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the years ended December 31, 2005 and 2004 were approximately \$1,188,000 and \$1,155,000, respectively.

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Notes to Financial Statements

December 31, 2005

Note 3 - Investments:

The Tech's investments consisted of the following:

	December 31,	
	2005	2004
Corporate bonds and notes	\$ 793,401	\$ 1,467,988
Money market funds	124,280	711,934
Equity funds	7,811,900	7,998,833
Venture capital funds	439,266	381,532
U.S. Treasury bonds and notes	2,020,902	1,525,467
Total	\$ 11,189,749	\$ 12,085,754

The following schedule summarizes the investment returns for the year ended:

	December 31,	
	2005	2004
Dividend and interest income	\$ 302,897	\$ 291,175
Net realized / unrealized gains	539,017	1,163,163
Total	\$ 841,914	\$ 1,454,338

The Organization has a commitment under a venture partnership agreement to make capital contributions of approximately \$282,000 and \$387,000 at December 31, 2005 and 2004, respectively.

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Notes to Financial Statements

December 31, 2005

Note 4 - Contributed support receivable:

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

Years Ending December 31,	Contributed Support	Contributed Use of Facility
2006	\$ 649,237	\$ 1,404,000
2007	232,000	1,404,000
2008	82,000	1,404,000
2009	9,000	1,404,000
2010	-	1,404,000
Thereafter	-	60,372,000
	972,237	67,392,000
Less discount for present value	(77,292)	(45,419,363)
Less allowance for estimated uncollectible contributed support	(19,445)	-
Total	\$ 875,500	\$ 21,972,637

The Tech has entered into an agreement with the City of San Jose (the "City") for the lease of its primary facility for \$1 a year. The receivable for the contributed use of the facility reflects the fair value of the use of the facility for 55 years (through 2053). With the adoption of the provisions of the *1996 AICPA Audit and Accounting Guide for Not-for-Profit Organizations*, The Tech recognized contribution revenue and a receivable for the present value of the promise for rent-free use of the facility with the annual maturity of contributed support receivable recognized as rent expense.

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Notes to Financial Statements

December 31, 2005

Note 5 - Property and equipment:

Property and equipment consisted of the following:

	December 31,	
	2005	2004
Leasehold improvements	\$ 10,264,823	\$ 10,236,637
Furniture, fixtures and improvements	7,980,528	8,685,312
Exhibits	22,712,955	22,606,213
Construction in Progress	305,678	11,963
Total	41,263,984	41,540,125
Less: accumulated depreciation and amortization	(31,317,480)	(28,566,682)
Property and equipment, net	\$ 9,946,504	\$ 12,973,443

Depreciation expense for the years ended December 31, 2005 and 2004 was \$3,586,165 and \$4,701,329, respectively.

Note 6 - Temporarily restricted net assets:

Temporarily restricted net assets were available for the following purposes:

	December 31,	
	2005	2004
Use of facilities	\$ 21,972,637	\$ 22,053,431
Special projects	1,419,977	724,960
Educational programs	65,833	288,690
Operations	105,000	75,000
Total temporarily restricted net assets	\$ 23,563,447	\$ 23,142,081

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Notes to Financial Statements

December 31, 2005

Note 7 - Temporarily restricted net assets released from restrictions:

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes during the year as follows:

	December 31,	
	2005	2004
Use of facilities	\$ 1,404,000	\$ 1,404,000
Educational programs	292,856	328,256
Special projects	469,586	1,061,989
Operations	75,000	55,916
Total temporarily restricted net assets	\$ 2,241,442	\$ 2,850,161

Note 8 - Permanently restricted net assets:

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

The increase (decrease) in permanently restricted net assets is as follows:

	December 31,	
	2005	2004
Restricted pledges received	\$ 1,138,604	\$ 22,952
Prior year earnings greater than 5% reclassified to the current year budget	-	(160,521)
Pledges deemed uncollectible and present value adjustment	(86,348)	(167,064)
Other	-	(3,810)
Change in permanently restricted net assets	\$ 1,052,256	\$ (308,433)

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Notes to Financial Statements

December 31, 2005

Note 9 - Related party transactions:

The Tech's volunteer members of the Board of Directors are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board of Directors or from companies with which the Board of Directors are affiliated were approximately \$3,796,538 and \$2,080,758 for the years ended December 31, 2005 and 2004, respectively.

Of the total Contributed support receivable, net, receivables from the Board of Directors or from companies with which the Board of Directors are affiliated were approximately \$705,187 and \$1,038,639 as of December 31, 2005 and 2004, respectively.

The Tech has a less than 10% investment in a partnership in which one of the members of the Board of Directors is an owner. The fair value of this investment was \$439,266 and \$381,532 as of December 31, 2005 and 2004, respectively.

Note 10 - Loan payable:

Loan payable represents a financing arrangement with Premium Financing Specialists of California, Inc. for the Organization's insurance premiums. The loan bears an interest rate of 6.75% and requires monthly payments of approximately \$16,000. At December 31, 2005, future minimum payments of \$125,853 are scheduled for 2006.

Note 11 - Line of credit:

The Tech has a line of credit agreement, expiring October 15, 2006, with Bank of America. Borrowings under the agreement bear interest at the bank's prime rate (7.25% as of December 31, 2005). At December 31, 2005 and 2004, the outstanding balance was \$1,000,000.

Note 12 - Major contributions:

In 2005, ten donors accounted for 46% of contributed support. In 2004, ten donors accounted for 50% of contributed support.

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Notes to Financial Statements

December 31, 2005

Note 13 - Commitments:

The Tech is obligated under non-cancelable operating leases for office, storage space and exhibits, which expire in September 2007 and April 2008, respectively.

The schedule of future minimum lease payments payable under its non-cancelable leases is as follows:

<u>Year Ending December 31,</u>		
2006	\$	132,871
2007		114,050
2008		<u>17,824</u>
	\$	<u>264,745</u>

Rental expense under the above leases was approximately \$357,000 and \$367,000 for the years ended December 31, 2005 and 2004, respectively.

The Tech has a 10-year lease commitment for the IMAX Theater, and elected to prepay the minimum lease value in 1998. The Tech will amortize this prepayment over the term of the lease and recognize lease expense of \$230,800, annually, through 2008. The Tech is subject to additional rent payments based on 7% of annual gross revenues over \$2,000,000 from the IMAX Theater. The Tech did not pay any additional rent for 2005 or 2004.

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

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Notes to Financial Statements

December 31, 2005

Note 14 - Retirement plan:

The Tech provides a defined contribution plan for all full-time employees. The plan provides for employee contributions plus employer contributions at The Tech's discretion. The Tech did not make any contributions for 2005 or 2004.

In 1999, The Tech initiated a Key Employee Option Plan whereby selected employees enter into pre-tax compensation reduction option agreements with The Tech, concurrent with being awarded non-qualified options to purchase shares in a fund. The number of non-qualified options granted is based on actual compensation reduction amounts assuming a 25% discount from fair market value to be paid upon exercise. The fund is comprised of two mutual funds and had a fair value of \$124,280 and \$118,376 at December 31, 2005 and 2004, respectively. The fund was created with the monies contributed by The Tech and employees as specified in their respective compensation reduction option agreements.

Employees may exercise their options on or after the first January 1 following the first anniversary of their compensation reduction option agreement. The exercise price per share of the shares to be purchased is 25% of the lesser of the Exercise Rate Fair Market Value or the Grant Date Fair Market Value increased by 7% per year from the grant date, compounded annually. The fair market value shall be based on prices reported on an established recognized stock exchange, unless the shares are not publicly traded, in which case it shall be determined by the Executive Committee of the Board of Directors of The Tech. At December 31, 2005, The Tech had awarded options to four employees, all of which were exercisable. During 2004, one employee exercised previously awarded options. Included in accrued liabilities at December 31, 2005 and 2004 is \$93,209 and \$88,782, respectively, associated with this plan. As of December 31, 2005, participation in the plan has been frozen.

Note 15 - Change in accounting estimate

During 2004, The Tech changed its estimates of the useful lives of certain exhibit-related assets. The depreciable lives of these assets, previously estimated at seven years, were decreased to five years. The Tech made these changes to better reflect the estimated periods during which such assets will remain in service. This change had an immaterial effect on the statement of activities for 2004.