

**THE TECH MUSEUM OF INNOVATION**

**Client Advisory Comments**

**December 31, 1998**

Accountants and  
Management Consultants

The US Member Firm of  
Grant Thornton International

Grant Thornton 

GRANT THORNTON LLP

May 25, 1999

To the Finance Committee  
The Tech Museum of Innovation

In connection with our audit of the financial statements of The Tech Museum of Innovation (the "Organization") as of December 31, 1998, we noted matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

The accompanying comments summarize our comments and suggestions.

This report is intended solely for the information and use of the finance committee, board of directors, management, and others within the Organization.

The matters discussed herein are those that we have noted as of April 16, 1999, and we have not updated our procedures regarding these matters since that date to the current date.

We have previously discussed our comments and suggestions with various organization personnel and would be pleased to discuss them further.

Very truly yours,

*Grant Thornton LLP*

## The Tech Museum of Innovation

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#### Cash Receipts

Although it is the Tech's policy to have the bank deposit slip initialed by two individuals, this policy has not been followed consistently.

*We recommend that the Tech adhere to its current policy as the second set of initials indicates that the deposit slip was reviewed by a second individual and is a good control over the custody of cash receipts.*

#### In-Kind Donations

The Tech has received many high-value in-kind donations of equipment for exhibits which are recorded as assets on the books of the Organization. The organization lacked adequate documentation supporting the donor-supplied or development department-supplied fair value of these items as required by generally accepted accounting principles, resulting in an overstatement of \$2,146,170 which was also corrected through audit adjusting journal entries.

*For high-value in-kind donations of equipment, we recommend the Tech improve efforts to obtain donor-signed documentation or invoices/price lists in conjunction with receipt of the gift in order to assist in recording those assets at fair value as required by generally accepted accounting principles. This effort should be a timely one as obtaining this documentation at a later date has proven difficult. Also, when both the fair value and the replacement value are provided by the donor, the contributed assets should be recorded at their fair value.*

#### Investment Policy

The Tech's investment portfolio has potentially outgrown the basic investment policy which is currently in place.

*We recommend the committee responsible for monitoring the Tech's investing strategy enhance existing policy to address:*

- *goals regarding investment returns, maturities and liquidity*
- *risk and diversification*
- *whether an independent investment manager will be retained*
- *preferences for types of investments to be held and those that will be prohibited*
- *the use of investment earnings*
- *procedures for evaluation of portfolio performance*

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Restricted vs. Unrestricted Activity

In 1995, the Tech adopted Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-For-Profit Organizations*. SFAS No. 117 established standards for external financial reporting and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. While the conversion to SFAS No. 117 has been reflected in the annual audited financial statements, the Tech's internal financial statements and general ledger structure have not been completely converted to the new format.

*We recommend that certain revisions be made to the internal year-end financial statements and general ledger so they reflect all the changes mandated by SFAS No. 117. Because the Tech does record general ledger activity by fund, much of the segregation of unrestricted and restricted activity has already taken place. We would like to suggest that this distinguishment be refined to comply with SFAS No. 117. Specifically, investment earnings and National Science Foundation grants should be reclassified as unrestricted activity. Additionally, any receipts of restricted monies should be coded into the temporarily restricted category instead of unrestricted. These modifications can be performed at the end of the fiscal year during the annual close, and will ensure accurate year-end financial reporting not to mention facilitate the year end audit and financial statement presentation.*

Conflict of Interest Statements

The Tech does not request signed conflict of interest statements from its Board of Directors, or staff.

*The Internal Revenue Service is placing increased scrutiny on exempt organizations with respect to transactions between the organizations, their Board Members and even significant members of staff. For this reason we recommend the Tech have each Board member, and significant staff members, sign a conflict of interest statement, which will define appropriate and inappropriate transactions and spell out procedures and approvals necessary whenever transactions do take place. This will help avoid the appearance of impropriety on the part of the Tech, or its Board members or staff.*