



# **The Tech Museum of Innovation**

**Reports on Examination of Financial  
Statements (OMB Circular A-133 "Audits  
of Institutions of Higher Education and  
Other Non Profit Organizations")  
For the Year Ended December 31, 1992**

**The Tech Museum of Innovation**  
**Table of Contents**  
**December 31, 1992**

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	<b>Page</b>
Report of Independent Accountants	2
Balance Sheets	3
Statements of Support and Revenue, Expenses and Changes in Fund Balances	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Report on Schedule of Federal Awards	10
Schedule of Federal Awards	11
Report on Compliance with Laws, Regulations, Contracts, and Grants Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	12
Report on Compliance with Specific Requirements Applicable to Major Programs	14
Report on Compliance with General Requirements	16
Report on the Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	18
Report on the Internal Control Structure Used in Administering Federal Awards	21



# **The Tech Museum of Innovation**

**Financial Statements  
December 31, 1992 and 1991**

*Price Waterhouse L.L.P.*



**REPORT OF INDEPENDENT ACCOUNTANTS**

April 2, 1993

To the Board of Directors of  
The Tech Museum of Innovation

In our opinion, the accompanying balance sheets and the related statements of support and revenue, expenses and changes in fund balances and of cash flows present fairly, in all material respects, the financial position of the Tech Museum of Innovation at December 31, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Museum's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

*Price Waterhouse LLP*

**THE TECH MUSEUM OF INNOVATION**

**BALANCE SHEETS**

	December 31, 1992				December 31, 1991					
	Operating Fund	Permanent Facility Funds Unrestricted	Restricted	Capital Fund	Total	Operating Fund	Permanent Facility Funds Unrestricted	Restricted	Capital Fund	Total
<b>ASSETS</b>										
Current assets:										
Cash and cash equivalents	\$ 81,000	\$ 126,000	\$ 59,000	\$ -	\$ 266,000	\$ 1,000	\$ 124,000	\$ 263,000	\$ -	\$ 388,000
Grants receivable, prepaids and other	72,000	8,000	31,000	-	111,000	13,000	58,000	-	-	71,000
Inventory	25,000	-	-	-	25,000	45,000	-	-	-	45,000
Total current assets	<u>178,000</u>	<u>134,000</u>	<u>90,000</u>	<u>-</u>	<u>402,000</u>	<u>59,000</u>	<u>182,000</u>	<u>263,000</u>	<u>-</u>	<u>504,000</u>
Property and equipment:										
Exhibits and furnishings	-	-	-	6,581,000	6,581,000	6,501,000	-	-	-	6,501,000
Furniture, fixtures and equipment	-	-	-	337,000	337,000	88,000	-	149,000	91,000	328,000
Leasehold improvements	-	-	-	1,943,000	1,943,000	1,943,000	-	-	-	1,943,000
Less accumulated depreciation and amortization	-	-	-	(4,039,000)	(4,039,000)	(2,120,000)	-	(149,000)	(60,000)	(2,329,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,822,000</u>	<u>4,822,000</u>	<u>6,412,000</u>	<u>-</u>	<u>-</u>	<u>31,000</u>	<u>6,443,000</u>
Construction-in-progress	-	65,000	137,000	-	202,000	-	65,000	214,000	-	279,000
Interfund receivable (Note 4)	-	614,000	296,000	1,023,000	1,933,000	-	365,000	159,000	1,019,000	1,543,000
Other assets	-	20,000	-	20,000	40,000	-	20,000	-	20,000	40,000
	<u>\$ 178,000</u>	<u>\$ 833,000</u>	<u>\$ 523,000</u>	<u>\$ 5,865,000</u>	<u>\$ 7,399,000</u>	<u>\$ 6,471,000</u>	<u>\$ 632,000</u>	<u>\$ 636,000</u>	<u>\$ 1,070,000</u>	<u>\$ 8,809,000</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Current liabilities:										
Accounts payable and accrued expenses	\$ 68,000	\$ 60,000	\$ 14,000	\$ -	\$ 142,000	\$ 43,000	\$ 66,000	\$ 39,000	\$ -	\$ 148,000
Deferred restricted contributions	75,000	-	314,000	-	389,000	179,000	-	355,000	-	534,000
Total current liabilities	<u>143,000</u>	<u>60,000</u>	<u>328,000</u>	<u>-</u>	<u>531,000</u>	<u>222,000</u>	<u>66,000</u>	<u>394,000</u>	<u>-</u>	<u>682,000</u>
Interfund payable (Note 4)	614,000	1,319,000	-	-	1,933,000	264,000	1,178,000	101,000	-	1,543,000
Fund balances	(579,000)	(546,000)	195,000	5,865,000	4,935,000	5,985,000	(612,000)	141,000	1,070,000	6,584,000
	<u>\$ 178,000</u>	<u>\$ 833,000</u>	<u>\$ 523,000</u>	<u>\$ 5,865,000</u>	<u>\$ 7,399,000</u>	<u>\$ 6,471,000</u>	<u>\$ 632,000</u>	<u>\$ 636,000</u>	<u>\$ 1,070,000</u>	<u>\$ 8,809,000</u>

The accompanying notes are an integral part of these financial statements.

**THE TECH MUSEUM OF INNOVATION**

**STATEMENTS OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN FUND BALANCES**

	Year ended December 31, 1992				Year ended December 31, 1991				
	Operating Fund	Permanent Facility Funds Unrestricted	Restricted	Capital Fund	Operating Fund	Permanent Facility Funds Unrestricted	Restricted	Capital Fund	Total
<b>Support and revenue:</b>									
Contributions	\$1,094,000	\$ 239,000	\$700,000	\$ 2,000	\$1,195,000	\$506,000	\$ 42,000	\$ 42,000	\$ 2,238,000
Donated property, services and rent	265,000	136,000	-	222,000	250,000	23,000	-	-	447,000
Admissions and fees	721,000	-	-	-	529,000	-	-	-	529,000
Store revenue	131,000	-	-	-	157,000	-	-	-	157,000
Interest income	-	37,000	-	-	-	-	-	-	20,000
Total support and revenue	<u>2,211,000</u>	<u>412,000</u>	<u>700,000</u>	<u>224,000</u>	<u>2,131,000</u>	<u>529,000</u>	<u>42,000</u>	<u>42,000</u>	<u>3,391,000</u>
<b>Expenses:</b>									
Exhibits and programs	1,512,000	107,000	536,000	1,859,000	3,578,000	433,000	10,000	10,000	4,189,000
Development and public relations	675,000	107,000	50,000	-	392,000	66,000	-	-	668,000
Administration	176,000	123,000	51,000	-	85,000	274,000	-	-	359,000
Total expenses	<u>2,363,000</u>	<u>337,000</u>	<u>637,000</u>	<u>1,859,000</u>	<u>4,055,000</u>	<u>499,000</u>	<u>10,000</u>	<u>10,000</u>	<u>5,216,000</u>
<b>Excess (deficiency) of support and revenue over expenses</b>	(152,000)	75,000	63,000	(1,635,000)	(1,924,000)	30,000	32,000	32,000	(1,825,000)
Beginning fund balances	5,985,000	(612,000)	141,000	1,070,000	7,678,000	136,000	1,038,000	1,038,000	8,409,000
Add (deduct) interfund transfers (Note 4)	(6,412,000)	(9,000)	(9,000)	6,430,000	231,000	(25,000)	-	-	-
Ending fund balance	<u>\$ (579,000)</u>	<u>\$ (546,000)</u>	<u>\$ (195,000)</u>	<u>\$ (5,865,000)</u>	<u>\$ (5,985,000)</u>	<u>\$ (141,000)</u>	<u>\$ (1,070,000)</u>	<u>\$ (1,070,000)</u>	<u>\$ (5,584,000)</u>

The accompanying notes are an integral part of these financial statements.

**THE TECH MUSEUM OF INNOVATION**

**STATEMENTS OF CASH FLOWS**

	<u>Year ended December 31,</u>	
	<u>1992</u>	<u>1991</u>
Cash flows from operating activities:		
Deficiency of support and revenue over expenses	\$(1,649,000)	\$(1,825,000)
Adjustments to reconcile deficiency of support and revenue over expenses to net cash used in operating activities:		
Depreciation and amortization	1,859,000	1,813,000
Donated equipment	(148,000)	(54,000)
Changes in assets and liabilities:		
Grants receivable, prepaids and other	(40,000)	85,000
Inventory	20,000	(14,000)
Accounts payable and accrued expenses	(6,000)	(385,000)
Deferred restricted contributions	<u>(145,000)</u>	<u>194,000</u>
Net cash used in operating activities	(109,000)	(186,000)
Cash flows used in investing activities for additions to property and equipment	<u>(13,000)</u>	<u>(223,000)</u>
Net decrease in cash and cash equivalents	(122,000)	(409,000)
Cash and cash equivalents, beginning of year	<u>388,000</u>	<u>797,000</u>
Cash and cash equivalents, end of year	<u>\$ 266,000</u>	<u>\$ 388,000</u>

The accompanying notes are an integral part of these financial statements.

## **THE TECH MUSEUM OF INNOVATION**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - THE MUSEUM AND ITS SIGNIFICANT ACCOUNTING POLICIES:**

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 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 (see Note 3). The Tech commenced operations in the fall of 1990.

#### **Fund accounting**

The accounts of the Tech are maintained in accordance with the principles of "fund accounting" to ensure observance of limitations and restrictions placed on the use of certain resources available to the Tech. 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 Tech are reported in three self-balancing fund groups as follows:

#### **Operating Fund**

In 1990, the Tech created the Operating Fund (formerly the Tech Fund) to account for the specific operations of the Tech which commenced in the fall of 1990. The Operating Fund consists primarily of expenses incurred in the operation of the Tech as well as revenues earned in admissions, fees and store sales.

Funds received and expended relating to the operations of the retail store within the Tech are recorded in the Store Fund. The Store Fund balance was \$(35,000) and \$129,000 at December 31, 1992 and 1991, respectively. This Store Fund has been grouped with the Operating Fund for financial statement presentation.

#### **Permanent Facility Funds**

The Permanent Facility Funds (formerly the Operating Funds), which include unrestricted and restricted resources, represent the portion of expendable funds that are available for support of the Tech's development of a permanent building facility and exhibits. Permanent Facility Funds restricted by the donor or the outside party for particular purposes are deemed to be earned and reported as revenues of the Permanent Facility Funds when the Tech has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred restricted contributions.



Restricted funds contributed by the San Jose Redevelopment Agency (SJRDA) are recorded in the SJRDA Fund, which has been grouped with the Restricted Permanent Facility Fund for financial statement presentation. Funds raised through a joint fund-raising campaign between the San Jose Citizen's Committee (SJCC) and the Tech will be transferred to the SJRDA Fund at the conclusion of the campaign. During the year ended December 31, 1992, restricted contributions by the SJRDA aggregating \$549,000 were recorded as support and revenue by the Permanent Facility Restricted Fund. The SJRDA Fund balance was \$(300) and \$(5,000) at December 31, 1992 and 1991, respectively.

### Capital Fund

Donations of property and equipment for use in the Tech's public programs are recorded in the Capital Equipment Fund. Additionally, funds expended for property and equipment used by the Tech in administering its operations are recorded in the Capital Equipment Fund. The Capital Equipment Fund balance was \$4,822,000 and \$31,000 at December 31, 1992 and 1991, respectively.

Funds received from SJCC are accounted for in the SJCC Fund. In January 1988, the Tech 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 permanent facility. At the conclusion of the campaign, all contributions credited, net of expenses, if any, to the SJCC Fund will be transferred to the SJRDA under a separate agreement. The Tech and SJRDA have agreed that the SJRDA will construct the permanent facility, which will be leased by the Tech from SJRDA for a nominal fee (see Note 3). The SJCC Fund has been grouped with the Capital Equipment Fund for financial statement presentation.

### **Cash equivalents**

The Tech considers all amounts deposited in interest bearing checking accounts to be cash equivalents.

### **Inventory**

Inventory consists principally of 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.

### **Property and equipment**

Property and equipment 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 related lease.

### **Construction-in-progress**

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

**Donated property, services and rent**

The Tech includes the estimated fair value of certain donated services, equipment and facility space as both revenue and expense in the periods that the benefit of such services, equipment and facility 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.

**NOTE 2 - RELATED PARTY TRANSACTIONS:**

For the years ended December 31, 1992 and 1991, the Tech received cash contributions and equipment donations amounting to \$1,423,000 and \$1,246,000, respectively, from members of the Board of Directors of the Tech or companies with which the Directors are affiliated.

**NOTE 3 - PERMANENT FACILITY:**

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

In January 1988, the Tech finalized an agreement (the Agreement) with the SJRDA regarding the construction of the permanent facility. In accordance with the Agreement, the SJRDA will own the permanent facility and lease it to the Tech for a nominal fee. The Tech and the SJCC set a goal of \$10,000,000 from their own fund raising efforts to be contributed to the cost of the permanent facility. Currently, all proceeds received as a result of this fund raising effort are being accumulated in the SJCC Fund, which is reported as part of the Capital Fund for financial statement presentation. At the time of ground breaking, the Tech will remit the entire balance in the SJCC Fund to the SJRDA for the construction of the permanent facility (see Note 4).

The Agreement also states that the SJRDA will advance funds to the Tech for site preparation and building design expenses related to the construction of the permanent facility. The funds advanced are accumulated in the Restricted Permanent Facility Fund. When expended, equal amounts of revenue and expense are recognized in the Restricted Permanent Facility Fund. The SJRDA has advanced \$1,095,000 to the Tech for this purpose of which \$59,000 remains available in the Restricted Permanent Facility Fund at December 31, 1992.

**NOTE 4 - INTERFUND BORROWINGS AND TRANSFERS:**

The Tech's agreement with the SJCC provides that funds credited to the SJCC Fund may be borrowed by the Unrestricted Permanent Facility Fund for the payment of certain expenses incurred by the Tech. All funds borrowed, which are interest free, must be repaid to the SJCC Fund prior to commencing construction of the permanent facility. At December 31, 1992, \$1,023,000 was borrowed under this agreement.

At December 31, 1992, the Unrestricted Permanent Facility Fund has loaned the Operating Fund \$614,000 for use in funding the Tech's operations. In addition, at December 31, 1992 the

Restricted Permanent Facility Fund has loaned \$296,000 to the Unrestricted Permanent Facility Fund.

Interfund transfers for the year ended December 31, 1992 consist of transfers from the Operating Fund, Unrestricted Permanent Facility Fund, and the Restricted Permanent Facility Fund of \$6,412,000, \$9,000, and \$9,000, respectively, to the Capital Equipment Fund. Such amounts represent the cost of property and equipment, less accumulated depreciation and amortization, currently being used in Tech operations.

**NOTE 5 - INCOME TAXES:**

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

**NOTE 6 - INTEREST IN REAL PROPERTY:**

During 1990, the Tech received a restricted donation in the form of a 50% interest in certain real property. The Tech recorded \$107,000 for this donation, representing the amount of net proceeds expected from the sale of this property, and included it in other current assets in the restricted fund. In June 1991, the property was sold and the Tech's interest in the property was exchanged for cash of \$92,000. A restricted contribution in an amount equal to the loss on sale was recorded concurrent with this transaction.

*Price Waterhouse L.L.P.*



**Report on Schedule of Federal Awards**

April 2, 1993

To the Board of Directors of  
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation (the "Tech") as of and for the year ended December 31, 1992, and have issued our report thereon dated April 2, 1993. These financial statements are the responsibility of the Tech's management. Our responsibility is to express an opinion on these basic 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 basic 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 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.

*Price Waterhouse LLP*

**The Tech Museum of Innovation  
Schedule of Federal Awards  
for the Year Ended December 31, 1992**

Federal Grantor Program Title	Federal CFDA Number	Grantor's Number	Program Award Amount	Federal Award Revenue	Federally Funded Expenditures
<b>National Science Foundation (one major program):</b>					
"Industry Experts and Educators - Inspiring Standards for Science"	47.076	TPE-9053823	\$399,750	\$ 48,171	\$ 48,171
"Extending Science Education - Teaching with and about Technology"	47.076	TPE-9155340	<u>384,054</u>	<u>118,671</u>	<u>118,671</u>
<b>Total Award</b>			<b><u>\$783,804</u></b>	<b><u>\$166,842</u></b>	<b><u>\$166,842</u></b>

*Price Waterhouse L.L.P.*



**Report on Compliance with Laws, Regulations, Contracts, and Grants Based on an Audit of  
Financial Statements Performed in Accordance with Government Auditing Standards**

April 2, 1993

To the Board of Directors of  
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation (the "Tech") as of and for the year ended December 31, 1992, and have issued our report thereon dated April 2, 1993.

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 is the responsibility of the Tech's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Tech'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. For purposes of this report, we have categorized the provisions of laws, regulations, contracts, and grants we tested as part of obtaining such reasonable assurance into the following categories:

- Personnel engagement, maintenance, and separation
- Budget preparation and execution
- Deposits and Investments restrictions
- Capital Projects and Fixed Assets authorizations and restrictions
- Taxing authority and limitations
- Procurement policies and procedures
- Grant and contract terms and conditions
- Enabling Legislation authorizations and restrictions

To the Board of Directors of  
The Tech Museum of Innovation  
April 2, 1993  
Page Two



The results of our tests indicate that, with respect to the items tested, the Tech complied, in all material respects, with the provisions of laws, regulations, contracts, and grants related to transactions and activity categories referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Tech had not complied, in all material respects, with those provisions.

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.

*Price Waterhouse LLP*

*Price Waterhouse L.L.P.*



**Report on Compliance with Specific Requirements Applicable to Major Programs**

July 29, 1994

To the Board of Directors of  
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation (the "Tech") as of and for the year ended December 31, 1992, and have issued our report thereon dated April 2, 1993.

We have also audited the Tech's compliance with the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions; financial reports and claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal program, which is identified in the accompanying Schedule of Federal Awards for the year ended December 31, 1992. The management of the Tech 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's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Tech complied, in all material respects, with the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions; financial reports and claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal program for the year ended December 31, 1992.



To the Board of Directors of  
The Tech Museum of Innovation  
July 29, 1994  
Page Two



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.

*Pricewaterhouse LLP*

*Price Waterhouse L.L.P.*



**Report on Compliance with General Requirements**

July 29, 1994

To the Board of Directors of  
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation (the "Tech") as of and for the year ended December 31, 1992, and have issued our report thereon dated April 2, 1993.

We have applied procedures to test the Tech's compliance with the following requirements applicable to its major federal program, which is identified in the accompanying Schedule of Federal Awards for the year ended December 31, 1992:

**General Requirements**

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/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 Non-Profit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Tech'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 has not complied, in all material respects, with those requirements.

To the Board of Directors of  
The Tech Museum of Innovation  
July 29, 1994  
Page Two



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.

*Pricewaterhouse LLP*

*Price Waterhouse L.L.P.*



**Report on the Internal Control Structure Based on an Audit of Financial Statements  
Performed in Accordance with  
Government Auditing Standards**

April 2, 1993

To the Board of Directors of  
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation (the "Tech") as of and for the year ended December 31, 1992, and have issued our report thereon dated April 2, 1993.

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.

In planning and performing our audit of the financial statements of the Tech for the year ended December 31, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Tech is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements 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.



For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

**Financial Statements Captions**

- Cash and Investments
- Admissions System Revenues
- Merchandising Revenues
- Other Receivables/Revenues
- Inventory
- Payables and Accrued Liabilities
- Property and Equipment
- Employee Costs

**General Compliance Requirements**

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace
- Administrative Requirements

**Specific Compliance Requirements**

- Types of services allowed or not allowed
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Special tests and provisions
- Financial reports and claims for advances and reimbursements
- Amounts claimed or used for matching

For all of the internal control 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.

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

To the Board of Directors of  
The Tech Museum of Innovation  
April 2, 1993  
Page Three



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 material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have communicated to the management of the Tech in a separate letter.

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.

*Price Waterhouse LLP*

*Price Waterhouse L.L.P.*



**Report on the Internal Control Structure Used in Administering Federal Awards**

July 29, 1994

To the Board of Directors of  
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation (the "Tech") as of and for the year ended December 31, 1992, and have issued our report thereon dated April 2, 1993. We have also audited the Tech's compliance with requirements applicable to major federal programs, and have issued our report thereon dated July 29, 1994.

We conducted our audit 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 Organizations. 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 complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audit for the year ended December 31, 1992, we considered the Tech's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Tech'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 April 2, 1993.

The management of the Tech 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 award 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:

**Financial Statement Captions**

- Cash and Investments
- Admissions System Revenues
- Merchandising Revenues
- Other Receivables/Revenues
- Inventory
- Payables and Accrued Liabilities
- Property and Equipment
- Employee Costs

**General Compliance Requirements**

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace
- Administrative Requirements

**Specific Compliance Requirements**

- Types of services allowed or not allowed
- Eligibility
- Matching, level of effort, or earmarking
- Reporting



To the Board of Directors of  
The Tech Museum of Innovation  
July 29, 1994  
Page Three



- Special tests and provisions
- Financial reports and claims for advances and reimbursements
- Amounts claimed or used for matching

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

During the year ended December 31, 1992, the Tech expended 100 percent of its total federal award under its 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 and amounts claimed or used for matching that are applicable to the organization'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 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 operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Tech in a separate letter dated April 8, 1994.

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.

*Pricewaterhouse LLP*