

THE TECH MUSEUM OF INNOVATION

Report to Finance Committee

December 31, 1999

June 5, 2000

Finance Committee Members
The Tech Museum of Innovation

Ladies and Gentlemen:

Professional standards require that we advise you of the following matters relating to our recently concluded audit. The matters discussed herein are those that we have noted as of May 19, 2000, and we have not updated our procedures regarding these matters since that date to the current date.

Our Responsibility Under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 24, 2000, our responsibility, as prescribed by generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants ("AICPA") and *Government Auditing Standards* issued by the Comptroller General of the United States, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

An audit in accordance with generally accepted auditing standards and *Government Auditing Standards* does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, or noncompliance with the provisions of laws, regulations, contracts and grants, if existing, have not been detected. Such standards require that we obtain a sufficient understanding of The Tech Museum of Innovation's ("The Tech's") internal control structure to plan the audit. However, such understanding and any tests performed with respect to such internal controls, or as to compliance with laws, regulations, contracts and grants, were for the purpose of expressing our opinion on The Tech's financial statements and not to opine or provide any assurance concerning such internal control structure or compliance. We could, however, as a separate engagement, be engaged to perform agreed-upon procedures or examine and report on management's written assertion about the internal control structure or that management complied with specific laws and regulations. Such engagements would be conducted in accordance with AICPA standards for attestation engagements.

Our Responsibility Under OMB Circular A-133

As required by Office of Management and Budget ("OMB") Circular A-133 *Audits of States, Local Governments and Other Nonprofit Organizations* pertaining to The Tech, we performed the following additional testing of internal controls and compliance to supplement our financial statement audit procedures:

1. We performed tests of controls 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 requirements that are applicable to The Tech's major federal program.

2. We applied procedures to test the Tech's compliance with the following requirements applicable to its major federal program, as applicable, for the year ended December 31, 1999:

- Activities Allowed or Unallowed
- Allowable Costs/Cost Principles
- Cash Management
- Davis-Bacon Act
- Eligibility
- Equipment and Real Property Management
- Matching, Level of Effort and Earmarking
- Period of Availability of Federal Funds
- Procurement and Suspension and Debarment
- Program Income
- Real Property Acquisition and Relocation Assistance
- Reporting
- Subrecipient Monitoring
- Special Tests and Provisions

Although such tests supplement our financial statement audit procedures, they were performed solely to meet the specified requirements of the aforementioned laws and regulations and do not constitute an examination directed toward the expression of an opinion with respect to the internal control structure or compliance with such laws, regulations, contracts or grants. Accordingly, no such opinion was expressed.

Management Judgments and Accounting Estimates

Accounting estimates, based upon management's judgments, are an integral part of an entity's financial statements. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Significant estimates include the following:

- Depreciable lives of exhibits
- Allowance for uncollectible contributed support

We believe that The Tech's estimate of the useful life of exhibits represents a sensitive accounting estimate. Exhibits are depreciated over seven years, which corresponds with the Organization's plan to replace all exhibits within that timeframe. During the course of our audit, we evaluated the key factors and assumptions used by management to develop this estimate and determined that it was reasonable in relation to The Tech's financial statements taken as a whole. We also believe that The Tech's allowance for uncollectible contributed support represents a sensitive accounting 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 collections experience and such other factors that deserve current recognition in estimating losses. We have performed tests of the allowance to satisfy ourselves as to its reasonableness in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments that were not recorded by The Tech because they are not material to the current financial statements but might be potentially material to future financial statements. During our audit, we recommended, and the Tech recorded, several audit adjustments (see attached).

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter which could be significant to the Tech's financial statements or the audit report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Accountants

Management has informed us they have not consulted with other accountants during the year, except for assistance with developing a Key Employee Option Plan.

Difficulties Encountered in Performing the Audit

We are pleased to report that we encountered no difficulties in performing the audit.

Should you desire further information concerning these matters, we would be happy to meet with you at your convenience.

This letter is solely for the internal use of the Finance Committee and management of The Tech and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

Grant Thornton LLP

THESE IS NO AJE #'S 1, 2 OR 21

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
3	DEV: Fees & Svcs.-I	PBC 1451	8400 21 30-00	32,637.08	
3	SUP: General - Inki		5040 21 00-00		32,637.08
to record in-kind catering services not included for 1999.					
4	REC: Grants & Other	2515.1	1070 21 00-00	10,245.67	
4	DEVMEMB: Fees & Serv		6400 21 31-00		10,245.67
to record unrecorded other receivable. Prepared by Client.					
5	FEES: Special Event	PBC 2701	4500 21 00-00		607.50
5	Bad Debt Expense		4390 21 00-00	607.50	
to reclass bad debt exp to rental fees acct.					
6	ASPT: Annual Suppor	2605.1	4211 21 00-00	399,610.97	
6	GT Prep: Deferred Me		2320 21 00-01		399,610.97
to record the deferred portion of membership revenue.					
7	CSR: Pledges	2536	1900 21 00-00		526,632.00
7	CSR: Unearned Pledg		1901 21 00-00	45,931.00	
7	CSR: Uncollectable		1902 21 00-00	48,070.00	
7	Pledge Revenue: Annu		5900 21 00-00	432,631.00	
7	Bad Debt Expense		4390 21 00-00	29,852.00	
7	CSR: Pledges		1900 21 00-00		29,852.00
to record current year activity of AC pledges-unrestricted.					
8	CSR: Pledges	2536	1900 61 00-00	260,514.00	
8	CSR: Unearned Pledg		1901 61 00-00		27,784.00
8	Pledge Revenue: Annu		5900 61 00-00		232,730.00
8	Bad Debt Expense		4390 61 00-00	2,500.00	
8	CSR: Pledges		1900 61 00-00		2,500.00
to record current year activity of AC Pledges Temp Restricted.					
9	CSR: Pledges	2536	1900 01 00-00		1,890,557.00
9	CSR: Unearned Pledg		1901 01 00-00	171,786.00	
9	CSR: Uncollectable		1902 01 00-00	171,878.00	
9	Pledge Revenue: Capi		5900 01 00-00	1,546,893.00	
9	Bad Debt Expense		4390 61 00-00	102,186.00	
9	CSR: Pledges		1900 01 00-00		102,186.00
to record CY activity of CC pledges.					
10	PAY: Accounts Payab	PBC	2110 21 00-00	231,851.96	
10	PAY: Accounts Payab		2110 31 00-00	8,594.83	
10	PAY: Accounts Payab		2110 01 00-00	13,007.76	
10	Created by posting		2110 72 00-00	443.25	
10	CSH: BofA - Concentr		1005 21 00-00		240,890.04
10	CSH:BofA-Concentrati		1005 01 00-00		13,007.76
to adjust AP and cash for lost data during system crash.					
11	CSH: BofA - Concentr	PBC	1005 21 00-00	51,691.43	
11	PAY: Net Pay Payable		2121 21 00-00		51,691.43
to adjust cash for skipped ACH credit.					
12	OTH: Other - Miscel	PBC	4990 21 00-00	6,695.00	
12	CSH: Register Fund		1053 21 00-00		6,695.00
to adjust entry errors for change fund receipts.					
13	OTH: Other - Miscel	PBC	4990 21 00-00	96,407.26	
13	CSH: BofA - Concentr		1005 21 00-00		96,407.26
to correct entry errors and cash entries missed.					
14	CSH: BofA - Concentr	PBC	1005 21 00-00	129,861.74	
14	PAY: Net Pay Payable		2121 21 00-00		129,861.74
to adjust cash for skipped ACH credit.					
15	ADM: Fees & Services	PBC	6400 21 50-00	4,223.98	
15	CSH: BofA - Concentr		1005 21 00-00		4,223.98
to correct entry error for interest of loan.					
16	PAY: Prepaid Special	PBC	2325 21 00-00	190,677.50	
16	AST: Receivable - S		1065 21 00-00	102,331.00	
16	AST: Receivable - S		1065 21 00-00	7,500.00	
16	AST: Receivable - S		1065 21 00-00		190,677.50
16	PAY: Prepaid Special		2325 21 00-00		102,331.00
16	PAY: Prepaid Special		2325 21 00-00		7,500.00

Done by: Date: Index:

Reviewer: Date:

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
To reclass special event sales.					
17	CSR: Pledges	2536	1900 81 00-00	3,396,692.00	
17	CSR: Unearned Pledg		1901 81 00-00		353,382.00
17	CSR: Uncollectable		1902 81 00-00		304,331.00
17	Pledge Revenue: Endo		5900 81 00-00		2,738,979.00
To record CY activity of Endowment Pledges.					
18	ADM: Space	2510	9100 01 50-00	1,404,000.00	
18	PSR: City of San Jo		1998 01 00-00		56,956.66
18	SUP: General - In-K		5040 01 00-00		1,347,043.34
To record rent expense for In-kind facility use of City of SJ bldg.					
19	CSR: InKind Pledge	2541	1993 01 00-00	173,340.00	
19	SUP: General - In-K		5040 01 00-00		173,340.00
To record Annual Campaign In-kind Pledge.					
20	PAY: Accounts Payab	7303	2110 21 00-00		341,004.46
20	MUSSV: Fees & Servi		6400 21 10-00	312,984.20	
20	AST: McCabe Buildin		1320 72 00-00	28,020.26	
To record unrecorded liabilities @ 12/31/99.					
22	CSH: BofA - Concentr	2004U	1005 21 00-00	4,253.00	
22	OTHER: Miscel. - Ov		4990 31 00-00		4,253.00
To reconcile cash.					
23	Museum Depn	1525	8990 72 10-00	4,033.44	
23	EXH: Exhibit Deprec		8990 72 80-00	4,018,028.13	
23	Education Depn		8990 72 90-00	26,980.96	
23	Development Deprecia		8990 72 85-00	92,769.22	
23	Visitor Depn		8990 72 60-00	388,975.49	
23	Administration Depre		8990 72 50-00	54,451.50	
23	EXH: Exhibit Deprec		8990 72 80-00		3,334,510.53
23	BLD: Bld imp Deprec		8991 72 80-00		351,998.54
23	EXH: Exhibit Deprec		8990 72 80-00		292,344.16
23	EQP: TM Equip Depre		8994 72 80-00		606,385.51
To record depreciation expense over functional programs.					
24	DEV: Materials-Inki	2565	8800 21 33-00	76,013.84	
24	SUP: General - Inki		5040 21 00-00		76,013.84
To record In-kind GIZMO contributions.					
25	Bad Debt Expense	2506	5901 21 00-00	35,380.00	
25	AST: Receivable - S		1065 21 00-00		35,380.00
To write-off uncollectable space rental revenue.					
26	PAY: Net Pay Payable	7015	2121 21 00-00	3,854.86	
26	MAR: Personnel-Gros		6101 21 40-00		3,854.86
To reconcile gross wages to ADP report.					
27	INV: Securities	4018	1300 81 00-00	43,534.50	
27	Pledge Revenue: Endo		5900 81 00-00		43,534.50
To adjust investments held at year end from cost to market.					
28	Accrued Payroll - GT	7012	2122 00 00-00		110,086.91
28	EXH: Personnel-Gros		6101 21 80-00	110,086.91	
To record payroll accrual.					
29	REC: Grants & Other	2515	1070 21 00-00	108,333.34	
29	SUP: Public Support		4400 61 00-00		108,333.34
To record revenue as TR for January 2000.					
30	ADM: Fees & Services	6015	6400 21 50-00	8,866.53	
30	Interest Payables -		2410 21 00-GT		8,866.53
To accrue for two months of interest.					
31	FUND BALANCE		3000 21 00-00	175,618.00	
31	FUND BALANCE		3000 01 00-00	234,000.00	
31	ASPT: Annual Suppor		4211 21 00-00		175,618.00
31	PSR: City of San Jo		1998 01 00-00		234,000.00
To adjust Net Assets so that it rolls forward.					
32	PAY: Accounts Payab	PBC	2110 21 00-00		37,558.14
32	CONT: Annual Event		4060 21 00-00	37,558.14	

Done by: Date: Index:

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AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
32	DEV: Fees & Svc-Ann		6400 21 33-00	37,558.14	
32	PAY: Accounts Payab		2110 21 00-00		37,558.14
To adjust for erroneous entry made by client.					
33	GDLP:Utilities	7326	7200 21 11-00	4,950.11	
33	MUSSV: Utilities		7200 21 10-00	376,209.52	
33	EDU: Utilities		7200 21 91-00	14,850.38	
33	MAR: utilities		7200 21 40-00	42,076.07	
33	DEV: Utilities		7200 21 90-00	71,776.82	
33	VISSRE:Utilities		7200 21 95-00	214,092.92	
33	ADM: Utilities		7200 21 50-00	66,826.69	
33	MUSSV: Utilities		7200 21 10-00		556,594.11
33	MIS: Utilities		7200 21 52-00		108,201.73
33	EXHE: Utilities		7200 21 80-00		125,986.67
To allocate Utility Expense Costs					
34	MUS INS	7329	6400 21 91-00	404.82	
34	EXH INS		6400 21 92-00	30,766.48	
34	EDU INS		6400 21 93-00	1,214.47	
34	MARK INS		6400 21 94-00	3,440.99	
34	DEV INS		6400 21 95-00	5,869.92	
34	VIS INS		6400 21 96-00	17,508.56	
34	ADM INS		6400 21 97-00	5,465.10	
34	ADM: Fees & Services		6400 21 50-00		64,670.34
34	MUS ADM		6101 21 91-00	2,524.58	
34	EXH ADM		6101 21 92-00	191,867.76	
34	EDUADM		6101 21 93-00	7,573.73	
34	MARK ADM		6101 21 94-00	21,458.89	
34	DEV ADM		6101 21 95-00	36,606.35	
34	VIS ADM		6101 21 96-00	109,187.90	
34	ADM ADM		6101 21 97-00	34,081.77	
34	ADMIN: gross wages		6101 21 50-00		403,300.98
To allocate Insurance and admin costs					
Totals				<u>16,132,714.22</u>	<u>16,132,714.22</u>