

THE TECH MUSEUM OF INNOVATION

**Report to Audit Committee Members
Year Ended December 31, 2004**

January 21, 2005

To the Audit Committee Members of
The Tech Museum of Innovation

We have audited the financial statements of The Tech Museum of Innovation for the year ended December 31, 2004 and have issued our report dated January 21, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated November 4, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered The Tech Museum of Innovation's internal control over financial reporting 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 over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether The Tech Museum of Innovation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about The Tech Museum of Innovation's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on The Tech Museum of Innovation's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on The Tech Museum of Innovation's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Tech Museum of Innovation are described in Note 2 to the financial statements. The Tech capitalized \$627,867 of labor costs and fringe benefits for newly constructed exhibit-related assets for 2004 (Note 16). Similar expenditures of \$591,762 were capitalized for 2003 resulting in the restatement of the prior year financials also noted at Note 16. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

- Present value discount calculations
- Allowance for uncollectable contributions
- Depreciable lives of exhibited-related assets (Note 15)

Management's estimate of the present value discount calculations and allowance for uncollectable contributed support is based on analysis of the receivables and reflects amounts which, in management's judgment, are adequate to provide for discounts to present value and potential losses after giving consideration to the character of the receivables, current economic conditions, past collections experience, expected rates of return, expected recovery periods and such other factors that deserve current recognition in estimating values. We evaluated the key factors and assumptions used to develop the present value discount calculations and allowance for uncollectable contributed support in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future

financial statements to be materially misstated). In our judgment, none of the adjustments we proposed (see attached), which were recorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

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 that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Audit Committee, the Board of Directors, and management of The Tech Museum of Innovation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



<u>AJE No.</u>	<u>Account Name</u>	<u>Account Number</u>	<u>Debits</u>	<u>Credits</u>
1	Prepaid Insurance	21 00-00 1200	183,753	
1	Interest	21 50-00 7300	2,331	
1	Loan Payable	21 00-00 2118		123,370
1	Prepaid Insurance	21 00-00 1200		62,714
	To post a loan for the Tech's insurance and recorded as prepaid insurance.			