

COMBINED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

MUSEUM OF SCIENCE AND INDUSTRY, INC. AND AFFILIATE

September 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Museum of Science and Industry, Inc. and Affiliate

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Museum of Science and Industry, Inc. and Affiliate (a non-profit organization) (collectively the "Organization"), which comprise the combined statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statement.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 combined financial statements, and our report dated April 19, 2016, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements of the Organization taken as a whole. The accompanying Schedule of Expenditures of State Financial Assistance, is presented for the purpose of additional analysis as required by Chapter 10.650, *State of Florida Rules of the Auditor General*, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the combined financial statements or the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Tampa, Florida
April 24, 2017



Museum of Science and Industry, Inc. and Affiliate
COMBINED STATEMENT OF FINANCIAL POSITION

September 30, 2016
 (With comparative total for 2015)

| | Combined Total September 30, 2016 | Combined Total September 30, 2015 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (notes A9, A10 and A11) | \$ 495,518 | \$ 923,289 |
| Accounts receivable, net (note A6) | 61,046 | 151,438 |
| Contributions receivable (notes A6 and C) | 127,924 | 1,135,998 |
| Grant proceeds receivable | - | 12,541 |
| Prepaid expenses and other | 77,259 | 57,078 |
| Cash whose use is limited (notes A9 and A10) | 553,891 | 1,165,388 |
| Total current assets | 1,315,638 | 3,445,732 |
| INVESTMENTS (note E) | 2,418,127 | 2,542,632 |
| BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS (notes A9 and E) | 75,231 | 74,432 |
| PROPERTY AND EQUIPMENT, net (notes A12 and D) | 3,378,622 | 2,851,744 |
| CONTRIBUTIONS RECEIVABLE (notes A6 and C) | 25,000 | 228,399 |
| TOTAL ASSETS | \$ 7,212,618 | \$ 9,142,939 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Lines of credit payable (note G) | \$ 249,779 | \$ 248,700 |
| Current portion of long-term debt (note H) | 170,305 | 170,305 |
| Accounts payable | 1,047,333 | 1,228,035 |
| Accrued expenses | 326,804 | 306,595 |
| Deferred grant revenue | - | 7,116 |
| Deferred membership revenue | 359,089 | 378,023 |
| Other deferred revenue | 131,601 | 22,442 |
| Total current liabilities | 2,284,911 | 2,361,216 |
| LONG-TERM DEBT (note H) | 293,587 | 510,918 |
| TOTAL LIABILITIES | 2,578,498 | 2,872,134 |
| NET ASSETS (notes A4 and J) | | |
| Unrestricted | 1,264,204 | 583,208 |
| Temporarily restricted | 1,206,983 | 3,526,784 |
| Permanently restricted | 2,162,933 | 2,160,813 |
| Total net assets | 4,634,120 | 6,270,805 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 7,212,618 | \$ 9,142,939 |

The accompanying notes are an integral part of this combined statement.

Museum of Science and Industry, Inc. and Affiliate

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2016
(With comparative total for 2015)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Combined Total September 30, 2016 | Combined Total September 30, 2015 |
|---|--------------|------------------------|------------------------|---|---|
| Revenues and support | | | | | |
| Private gifts and cash contributions | \$ 373,985 | \$ 273,473 | \$ 2,120 | \$ 649,578 | \$ 1,047,639 |
| In-kind contributions (note A14) | 164,158 | - | - | 164,158 | 630,151 |
| Noncash contributions (note A14) | 200,000 | - | - | 200,000 | 640,220 |
| Grants (note I) | 1,895,666 | - | - | 1,895,666 | 1,637,454 |
| IMAX and theater admissions | 910,247 | - | - | 910,247 | 836,323 |
| Education programs | 1,259,050 | - | - | 1,259,050 | 1,466,101 |
| Admissions | 1,068,555 | - | - | 1,068,555 | 1,175,273 |
| Science store sales | 79,867 | - | - | 79,867 | 90,258 |
| Restaurant and catering sales | 321,524 | - | - | 321,524 | 113,029 |
| Memberships | 759,052 | - | - | 759,052 | 685,497 |
| Exhibit and facilities rentals | 390,625 | - | - | 390,625 | 402,600 |
| Parking lot | 188,765 | - | - | 188,765 | 235,600 |
| Ropes course | 216,753 | - | - | 216,753 | 279,800 |
| Net realized and unrealized gain (loss) | - | 154,636 | - | 154,636 | (97,931) |
| Interest income and other | 47,884 | 43,530 | - | 91,414 | 96,898 |
| Net payments from cash whose use is limited | 611,497 | (611,497) | - | - | - |
| Net assets released from restrictions due to satisfaction of program and time restrictions, net payments to restricted cash | 2,179,943 | (2,179,943) | - | - | - |
| Total revenues and support | 10,667,571 | (2,319,801) | 2,120 | 8,349,890 | 9,238,912 |
| Expenses | | | | | |
| Program services | | | | | |
| IMAX and theater admissions | 1,222,062 | - | - | 1,222,062 | 1,045,564 |
| Education | 2,414,116 | - | - | 2,414,116 | 2,207,409 |
| Guest relations | 1,963,741 | - | - | 1,963,741 | 2,064,556 |
| Restaurant and catering sales | 66,420 | - | - | 66,420 | 87,642 |
| Memberships | 834,960 | - | - | 834,960 | 773,819 |
| Program enhancements | 617,958 | - | - | 617,958 | 380,972 |
| Parking lot | 128,082 | - | - | 128,082 | 117,914 |
| Ropes course | 239,267 | - | - | 239,267 | 256,334 |
| Total program services | 7,486,606 | - | - | 7,486,606 | 6,934,210 |
| Support services | | | | | |
| General and administrative | 714,509 | - | - | 714,509 | 573,591 |
| Fundraising and development | 757,752 | - | - | 757,752 | 1,047,160 |
| Total support services | 1,472,261 | - | - | 1,472,261 | 1,620,751 |
| Total expenses before depreciation | 8,958,867 | - | - | 8,958,867 | 8,554,961 |
| Change in net assets before depreciation | 1,708,704 | (2,319,801) | 2,120 | (608,977) | 683,951 |
| Depreciation | 1,027,708 | - | - | 1,027,708 | 842,395 |
| CHANGE IN NET ASSETS | 680,996 | (2,319,801) | 2,120 | (1,636,685) | (158,444) |
| NET ASSETS AT BEGINNING OF YEAR | 583,208 | 3,526,784 | 2,160,813 | 6,270,805 | 6,429,249 |
| NET ASSETS AT END OF YEAR | \$ 1,264,204 | \$ 1,206,983 | \$ 2,162,933 | \$ 4,634,120 | \$ 6,270,805 |

The accompanying notes are an integral part of this combined statement.

Museum of Science and Industry, Inc. and Affiliate

COMBINED STATEMENT OF CASH FLOWS

For the year ended September 30, 2016
(With comparative total for 2015)

| | Combined Total September 30, 2016 | Combined Total September 30, 2015 |
|--|---|---|
| Cash flows from operating activities | | |
| Change in net assets | \$ (1,636,685) | \$ (158,444) |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities | | |
| Depreciation | 1,027,708 | 842,395 |
| Non-cash contributions | (200,000) | (640,220) |
| Decrease (increase) in receivables | 384,718 | (113,748) |
| Decrease in inventory | 105 | - |
| Increase in prepaid expenses | (20,286) | (4,508) |
| Net realized and unrealized (gain) loss on investments | (155,435) | 94,634 |
| (Decrease) increase in accounts payable and accrued expenses | (160,493) | 272,489 |
| Increase (decrease) in deferred revenues | 83,109 | (22,693) |
| Total adjustments | <u>959,426</u> | <u>428,349</u> |
| Net cash (used) provided by operating activities | <u>(677,259)</u> | <u>269,905</u> |
| Cash flows from investing activities | | |
| Equipment purchases | (1,354,586) | (553,318) |
| Investment management fees | (33,322) | (3,297) |
| Investment sales (purchases) | <u>162,463</u> | <u>(281,842)</u> |
| Net cash used by investing activities | <u>(1,225,445)</u> | <u>(838,457)</u> |
| Cash flows from financing activities | | |
| Proceeds from contributions restricted for long term investment | 1,079,688 | 140,000 |
| Proceeds from long-term debt | - | 391,652 |
| Payments on long-term debt | (217,331) | (137,774) |
| Net proceeds on line of credit | <u>1,079</u> | <u>248,700</u> |
| Net cash provided by financing activities | <u>863,436</u> | <u>642,578</u> |
| Net change in cash and cash equivalents | (1,039,268) | 74,026 |
| Cash and cash equivalents at beginning of year | <u>2,088,677</u> | <u>2,014,651</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,049,409</u> | <u>\$ 2,088,677</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the year | | |
| Interest | <u>\$ 27,195</u> | <u>\$ 26,408</u> |
| Income taxes | <u>\$ -</u> | <u>\$ -</u> |

Non-cash disclosure

During the year the Organization received \$200,000 of contributed non-cash items related to its exhibits.

The accompanying notes are an integral part of this combined statement.

Museum of Science and Industry, Inc. and Affiliate
NOTES TO COMBINED FINANCIAL STATEMENTS

September 30, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

A description of the organization and a summary of the significant accounting policies consistently applied in the preparation of the accompanying combined financial statements follow:

1. General

Museum of Science and Industry, Inc. ("MOSI"), formerly Museum of Science and Industry Foundation, Inc., is a Florida not-for-profit corporation which seeks to inspire the public through hands-on, minds-on experience involving science, technology and various industries. MOSI is dedicated to advancing public interest, knowledge and understanding of science, industry and technology. MOSI is accredited by the American Alliance of Museums and the Association of Science-Technology Centers.

MOSI entered into a management agreement with Hillsborough County (the "County") for the operation of the Museum, effective October 1, 1995. Under the terms of this agreement, the County maintains ownership of the facility. The County is responsible for maintenance of the structure and HVAC systems, and provides all risk property insurance on the facility, standard water supply, and sewerage and garbage disposal. The County also paid a management fee of \$585,915 to MOSI during the year ended September 30, 2016. The County also has a representative at board meetings to oversee the operations of MOSI.

Museum of Science and Industry Endowment, Inc. (the "Endowment"), a Florida not-for-profit corporation, was organized April 11, 1994 by MOSI for the purpose of creating and managing its endowment gifts and related assets. MOSI is the sole recipient of the Endowment's income.

2. Principles of Combination

The combined financial statements include the financial statements of Museum of Science and Industry, Inc. and Museum of Science and Industry Endowment, Inc. (collectively referred to as the "Organization"). All significant inter-organizational transactions have been eliminated in the accompanying combined financial statements.

3. Basis of Accounting

The Organization follows standards of accounting and financial reporting for not-for-profit organizations as described in the American Institute of Certified Public Accountants' *"Industry Guide for Audits of Not-for-Profit Organizations."* Accordingly, the combined financial statements are prepared on an accrual basis of accounting, which recognizes revenues when earned and expenses when incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. FASB ASC 958-605 and 958-205

The Organization adheres to the provisions of the Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC").

FASB ASC 958-605 requires the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair values.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

5. Income Taxes

MOSI and the MOSI Endowment have received a determination of tax exempt status under Section 501(c)(3) of the Internal Revenue Code and also from the State of Florida under Chapter 220.13 of the Florida Statutes. MOSI, however, is subject to federal and state income taxation from unrelated business income, which includes income from its IMAX Theater for commercial non-educational films. The gross unrelated business income totaled approximately \$400,000 for the tax year ended September 30, 2016; however, no tax amounts are due from these activities.

Management is not aware if any activities that would jeopardize its tax exempt status. The Organization has evaluated its tax positions taken for all open tax years and has not identified any uncertain tax positions. Tax years after 2012 remain subject to examination by federal and state taxing authorities.

6. Contributions and Accounts Receivable

Contributions receivable represent unconditional promises to give by donors and are reflected in the financial statements at their net realizable value. The total allowance for uncollectible pledges was \$22,000 at September 30, 2016 (see note C).

Accounts receivable represent amounts owed from various third parties for various fundraising events and local governmental support. The total allowance for doubtful accounts was \$0 at September 30, 2016.

7. Investments

Investments are reported at fair value based on quoted market value with realized and unrealized gains and losses included in changes in net assets.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Beneficial Interest in Funds Held by Others

The Organization has transferred assets to a community foundation which holds the funds for the benefit of the Organization. When a nonprofit transfers assets to a charitable trust or community foundation in which the resource provider names itself as beneficiary, the economic benefit of the transferred assets remains with the resource provider. If the assets are transferred permanently, the asset received in exchange is a beneficial interest in assets held by others, measured by the fair value of the assets contributed. Changes in the value are recognized in the statement of activities.

9. Cash Equivalents

Cash equivalents consist of highly liquid short-term market instruments with a maturity of three months or less when purchased. For purposes of the Statement of Cash Flows, cash and cash equivalents include the following at September 30, 2016:

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 495,518 |
| Cash whose use is limited | 553,891 |
| | <hr/> |
| | \$ 1,049,409 |
| | <hr/> |

Cash and cash equivalents are made up of \$643,186 of temporarily restricted cash and \$406,223 of unrestricted cash.

10. Cash Whose Use is Limited

In July 2005, MOSI received \$1.2 million from Hillsborough County, Florida to use as a reserve fund. The purpose of this fund was to ensure the existence of available funds to pay operational expenses, should anticipated gross revenues be reduced due to seasonal fluctuations, unforeseen calamities or delay in the opening of future exhibits. MOSI may only withdraw funds from this reserve fund with the prior written consent of Hillsborough County and shall repay each withdrawal within twelve calendar months from the date of such withdrawal. These funds have been classified as cash whose use is limited.

In December 2010, the first modification agreement with Hillsborough County was entered, whereby MOSI could borrow up to \$500,000 from the reserve fund for parking lot improvements, to be repaid over a 60 month period. In addition, during the year ended September 30, 2016, MOSI borrowed \$846,600 from the reserve fund with written consent from Hillsborough County to fund grant expenditures prior to being reimbursed by the state grant. These funds were borrowed to facilitate cash flow needs during the period between expenditures paid for capital projects and subsequent reimbursement from the state. Total repayments were made to the reserve fund of \$235,103 during the current year and at September 30, 2016 the balance of the reserve fund is \$553,891.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents.

12. Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are stated at estimated fair market value at the date of donation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets of 15 to 31 years for building improvements and five to seven years for machinery and equipment.

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts. The difference between the net book value of the assets and proceeds from disposition is recognized as gain or loss. Routine maintenance and repairs are charged to expenses as incurred, while costs of betterments and renewals are capitalized. The Organization capitalizes asset additions with a cost that exceeds \$5,000.

13. Exhibits and Collections

The Organization capitalizes the construction costs of exhibit displays. These costs are included in property and equipment as general machinery, equipment and exhibits.

14. In-Kind Donations and Contributed Services

In-kind donation items used by the Organization are recorded as contributions and expenses to the extent that an objective basis is available to measure the value of such items.

Contributed services are recorded as contributions and expenses at their fair value, to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations. Contributed services totaled approximately \$164,000 during the year ended September 30, 2016.

A substantial number of volunteers have donated significant amounts of their time and resources toward the objectives of the Organization; however, no amounts are recorded in the accompanying financial statements for non-specialist services.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent 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 those estimates.

16. Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. Advertising costs were approximately \$427,000 for the year ended September 30, 2016.

17. Comparative Information

The financial statements include certain prior period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

18. Allocation of Functional Expenses

Costs of providing services have been summarized on a functional basis in the combined statement of activities. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses have been allocated based on utilization of personnel time and space utilized by program services and supporting services. Estimates for expense allocations are updated periodically by MOSI for changes in operations.

NOTE B - TAX-DEFERRED ANNUITY PLAN

The Organization maintains a tax-deferred annuity plan (the "Plan"). Under the amended terms of the Plan, employees who work a consistent schedule of 20 hours per week for a minimum period of one year aggregating at least 1,000 hours during a Plan year are eligible to participate in the Plan. The Organization will contribute to the Plan an amount equal to 3% of each participant's compensation. The Plan was amended in January 2011 such that the Organization will match participant contributions to the Plan up to an additional 3% of participant compensation. The Organization's contribution to the Plan was approximately \$113,000 for the year ended September 30, 2016.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable at September 30, 2016 consist of the following:

| | |
|---------------------------------------|-------------------|
| Total unconditional pledges | \$ 192,924 |
| Less: Discount for present value (5%) | (18,000) |
| Allowance for uncollectible pledges | <u>(22,000)</u> |
| Net contributions receivable | <u>\$ 152,924</u> |

Contributions receivable expected to be collected after September 30, 2016 are as follows:

| | |
|--------------------|-------------------|
| Less than one year | \$ 127,924 |
| One to five years | <u>65,000</u> |
| Total | <u>\$ 192,924</u> |

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2016:

| | |
|-----------------------------------|---------------------|
| Machinery, equipment and exhibits | \$ 15,266,034 |
| Office equipment | 1,011,923 |
| Sign | 179,257 |
| Store equipment | 190,960 |
| Automobiles and buses | 107,438 |
| Construction in progress | <u>1,834,950</u> |
| | 18,590,562 |
| Less accumulated depreciation | <u>(15,211,940)</u> |
| | <u>\$ 3,378,622</u> |

NOTE E - INVESTMENTS AND ENDOWMENT

Investments, stated at fair value, are as follows at September 30, 2016:

| | |
|---|---------------------|
| Equity securities | \$ 1,705,126 |
| Fixed income | 713,001 |
| Investments managed by a community foundation | <u>75,231</u> |
| | <u>\$ 2,493,358</u> |

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE E - INVESTMENTS AND ENDOWMENT - Continued

All investments include Board of Directors or donor restrictions limiting their use to the investment income earned during the year. Fixed income investments consist of monies initially received from the Florida Cultural Endowment Program.

The Organization adopted FASB Accounting Standards Codification sub-topic 958-205 (FASB ASC 958-205), "*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures of All Endowment Funds*," effective January 1, 2010. FASB ASC 958-205 is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. The funds are invested in accordance with the investment policy established by the Organization's Board of Directors.

During the year ended September 30, 2016 the Organization's Board of Directors approved a \$150,000 transfer from the Endowment's temporarily restricted net assets. This was a transfer made to alleviate cash flow issues at the time and was received as unrestricted contributions by the Organization. This transaction is reflected by the addition of \$150,000 in unrestricted contributions and a reduction of temporarily restricted net assets. The Endowment also provided an additional \$150,000 in the form of a note payable with no terms. The amount is expected to be paid back to the Endowment when the Organization has the cash flow to do so. This transaction has been eliminated as an intercompany transaction.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Acts (UPMIFA) as enacted by the State of Florida applies to all the institutional funds of the Organization, unless the donor has specifically directed otherwise. The Board of Directors interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Board of Directors classified as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowments (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purpose of the organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE E - INVESTMENTS AND ENDOWMENT - Continued

- Other resources of the organization.
- The investment policies of the organization.

Spending Policy

The responsibility for investment of all institutional funds in the Endowment is solely the responsibility of the Board of Directors of the Endowment. The spending policy and how the investment objectives relate to the spending policy, which is applicable to the endowments herewith presented, are stated as follows:

The Endowment has a policy of maintaining a market value in this program of at least \$1,800,000 per the original funding restrictions. Investments managed by a community foundation represent a permanent endowment for which the Endowment is the sole beneficiary entitled to the investment income on an annual basis.

Return Objectives and Risk Parameters

The responsibility for investment of all institutional funds in the Endowment is solely the responsibility of the Board of Directors of the Endowment. The return objectives and risk parameters applicable to the endowments herewith presented are as follows:

The Endowment has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to directly support program expenditures while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

Strategies Employed for Achieving Objectives

The responsibility for investment of all institutional funds in the Endowment is solely the responsibility of the Board of Directors of the Endowment. The strategies employed for achieving objectives applicable to the endowments herewith presented are as follows:

To satisfy its long-term objectives, the Endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE E - INVESTMENTS AND ENDOWMENT - Continued

The following tables present the necessary information for endowments credited to the Organization by net asset fund at September 30, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Investment earnings | \$ - | \$ 498,797 | \$ - | \$ 498,797 |
| Donor-restricted funds | - | - | 2,162,933 | 2,162,933 |
| Total funds | <u>\$ -</u> | <u>\$ 498,797</u> | <u>\$ 2,162,933</u> | <u>\$ 2,661,730</u> |

Below are changes in Endowment Fund Net Assets for the year ended September 30, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ - | \$ 483,953 | \$ 2,160,813 | \$ 2,644,766 |
| Investment income | - | 43,530 | - | 43,530 |
| Net depreciation (realized and unrealized) | - | 154,636 | - | 154,636 |
| Contributions | - | - | 2,120 | 2,120 |
| Appropriations for expenditure | 183,322 | (183,322) | - | - |
| Payment to affiliate | (150,000) | - | - | (150,000) |
| Administrative fees | (33,322) | - | - | (33,322) |
| Endowments net assets, end of year | <u>\$ -</u> | <u>\$ 498,797</u> | <u>\$ 2,162,933</u> | <u>\$ 2,661,730</u> |

NOTE F - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE F - FAIR VALUE MEASUREMENTS - Continued

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on company-specific data. These unobservable assumptions reflect the Organization's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Cash equivalents, investments, and beneficial interest in funds held by others are recorded at fair value on a recurring basis. Below is a description on valuation methodologies for these assets.

Investments primarily consist of publicly traded stocks, bonds and mutual funds. The Organization uses quoted market prices of identical assets on active exchanges, or Level 1 measurement.

Beneficial interest in funds held by others consists of funds held by a community foundation. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value is equal to the value reported by the trustee, or level 3 measurement.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE F - FAIR VALUE MEASUREMENTS - Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets measured at fair value on a recurring basis at September 30, 2016:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|---|---------------------|----------------|------------------|---------------------|
| Cash and cash equivalents | \$ 495,518 | \$ - | \$ - | \$ 495,518 |
| Investments | | | | |
| Mutual funds | | | | |
| Fixed income funds | 713,001 | - | - | 713,001 |
| Domestic equity funds | 1,085,213 | - | - | 1,085,213 |
| International equity funds | 382,609 | - | - | 382,609 |
| Emerging markets fund | 183,515 | - | - | 183,515 |
| Dynamic asset allocation overlay fund | <u>53,789</u> | <u>-</u> | <u>-</u> | <u>53,789</u> |
| Total investments | <u>2,418,127</u> | <u>-</u> | <u>-</u> | <u>2,418,127</u> |
| Beneficial interest in funds held by others | <u>-</u> | <u>-</u> | <u>75,231</u> | <u>75,231</u> |
| Total | <u>\$ 2,913,645</u> | <u>\$ -</u> | <u>\$ 75,231</u> | <u>\$ 2,988,876</u> |

The following table illustrates a rollforward for all assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended September 30, 2016:

| | |
|--|------------------|
| Beneficial interest in funds held by others at beginning of year | \$ 74,432 |
| Additions | 70 |
| Interest and dividends | 4,587 |
| Realized and unrealized losses, net | (832) |
| Fees | - |
| Distributions | <u>(3,026)</u> |
| Beneficial interest in funds held by others at end of year | <u>\$ 75,231</u> |

NOTE G - LINE OF CREDIT

The Organization has a bank line of credit of \$250,000; interest is due monthly at prime plus 1.00% (4.75% at September 30, 2016). This line of credit is secured by all personal property and is due on demand. \$249,799 is outstanding on the line of credit at September 30, 2016.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE H - LONG-TERM DEBT

The Organization's obligations under long-term debt at September 30, 2016 are as follows:

| | |
|---|--------------------------|
| Promissory note payable to financial institution, monthly payments of \$9,159, including interest at 3.25%, due December 2018, secured by personal property | \$ 238,058 |
| Promissory note payable to financial institution, monthly payments of \$7,423, including interest at 4.25%, due January 2020, secured by personal property | <u>225,834</u> |
| | 463,892 |
| Less current maturities | <u>(170,305)</u> |
| Long-term portion | <u><u>\$ 293,587</u></u> |

Annual maturities of the long-term debt are as follows:

| | |
|----------------------------------|--------------------------|
| <u>Year ending September 30,</u> | |
| 2017 | \$ 170,305 |
| 2018 | 189,272 |
| 2019 | 104,315 |
| 2020 and beyond | <u>-</u> |
| | <u><u>\$ 463,892</u></u> |

Interest expense totaled approximately \$26,400 during the year ended September 30, 2016.

NOTE I - GRANT REVENUES

Grant revenues for the year ended September 30, 2016 consisted of the following:

| | |
|---------------------|----------------------------|
| Hillsborough County | \$ 801,727 |
| Federal government | 76,662 |
| State of Florida | 954,029 |
| City of Tampa | 51,200 |
| Other | <u>12,048</u> |
| | <u><u>\$ 1,895,666</u></u> |

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain certain restrictions that expire upon the passage of time or once specific actions are undertaken by MOSI. The net assets are then released and reclassified to unrestricted revenues and support when these restrictions are satisfied.

Temporarily restricted net assets totaled \$1,206,983 at September 30, 2016 and are comprised of cash and cash equivalents of \$89,295, cash whose use is limited of \$553,891, contributions receivable of \$65,000 and endowment earnings of \$498,797. MOSI's temporarily restricted net assets are primarily available for future capital projects.

NOTE K - COMMITMENTS AND CONTINGENCIES

1. Commitments

The Organization's rental expense for the year ended September 30, 2016 is comprised of the following:

| | |
|--------------------------|-------------------|
| Exhibit and film rentals | \$ 367,776 |
| Equipment | <u>46,815</u> |
| | <u>\$ 414,591</u> |

The Organization leases portions of its facility to three unrelated organizations, School Board of Hillsborough County, Institute for Business and Home Safety, Inc. (the "Institute"), and Festivals, Inc. under non-cancelable operating leases from 1 to 30 years.

Approximate future minimum rentals are as follows:

| <u>Year ending September 30,</u> | |
|----------------------------------|-------------------|
| 2017 | \$ 319,000 |
| 2018 | 9,000 |
| 2019 | 9,000 |
| 2020 | 9,000 |
| 2021 | 9,000 |
| 2022 and beyond | <u>83,000</u> |
| | <u>\$ 438,000</u> |

The County will retain ownership rights in the facility that is being leased to the Organization for thirty years at a cost of \$1 per year. Under the terms of the license agreement between the Organization and the Institute, the Organization granted the Institute limited rights to occupy, operate, and use a portion of the facility for thirty years, beginning March 21, 2002.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2016

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

2. Contingencies

The Organization, from time to time, is involved in legal actions arising in the ordinary course of business. With respect to these matters, management believes that it has adequate legal defenses such that the ultimate outcome will not have a material effect on the Organization's financial position or results of operations.

NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to September 30, 2016 as of April 24, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Museum of Science and Industry, Inc. and Affiliate

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended September 30, 2016

| State Grantor/Project Title | State CSFA | Contract Number | Expenditures |
|---|---------------|-----------------|--------------------------|
| Florida Division of Cultural Affairs | | | |
| STEAM Showcase and MOSI Technical Institute | 45.014 | 15-9916 | \$ 876,004 |
| General Program Support Grant FY 2016-17 | 45.061 | 15.6.170.049 | 22,936 |
| General Program Support Grant FY 2015-16 | 45.061 | 16.6.170.190 | <u>55,089</u> |
| Total | | | <u>\$ 954,029</u> |

The accompanying notes are an integral part of this schedule.

Museum of Science and Industry, Inc. and Affiliate

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

September 30, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of Museum of Science and Industry, Inc. and Affiliate (collectively, the "Organization") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

NOTE B - CONTINGENCIES

These State projects are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Organization's continued participation in specific projects. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any to be immaterial.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

MUSEUM OF SCIENCE AND INDUSTRY, INC. AND AFFILIATE

September 30, 2016



**RIVERO, GORDIMER & COMPANY, P.A.
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Jonathan E. Stein
Cesar J. Rivero, of Counsel
Richard B. Gordimer, of Counsel

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF COMBINED
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Museum of Science and Industry, Inc. and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Museum of Science and Industry, Inc. and Affiliate (the "Organization") (a nonprofit organization), which comprise the combined statement of financial position as of September 30, 2016, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated April 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected, and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

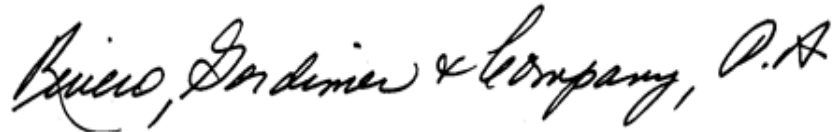
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Bueco, Gardner & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
April 24, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE AS REQUIRED BY
CHAPTER 10.650, *RULES OF THE FLORIDA AUDITOR GENERAL*

MUSEUM OF SCIENCE AND INDUSTRY, INC. AND AFFILIATE

September 30, 2016



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INDEPENDENT AUDITORS' REPORT FOR EACH MAJOR
STATE PROJECT AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY CHAPTER 10.650,
RULES OF THE FLORIDA AUDITOR GENERAL

Board of Directors
Museum of Science and Industry, Inc. and Affiliate

Report on Compliance for Each Major State Project

We have audited Museum of Science and Industry, Inc. and Affiliate's (the "Organization") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major State projects for the year ended September 30, 2016. The Organization's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major State Project

In our opinion, Museum of Science and Industry, Inc. and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2016.

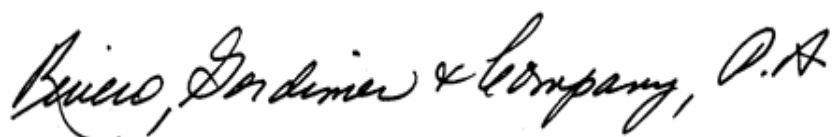
Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Tampa, Florida
April 24, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MUSEUM OF SCIENCE AND INDUSTRY, INC. AND AFFILIATE
September 30, 2016

Museum of Science and Industry, Inc. and Affiliate
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

| | |
|---|--------------------------------------|
| Type of auditors' report issued | Unmodified |
| Internal control over financial reporting | |
| Material weakness(es) identified? | ___yes <u>X</u> no |
| Significant deficiency(ies) identified? | ___yes <u>X</u> none reported |
| Noncompliance material to financial statements noted? | ___yes <u>X</u> no |
| Internal control over major projects | |
| Material weakness(es) identified? | ___yes <u>X</u> no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | ___yes <u>X</u> none reported |
| Type of auditors' report issued on compliance for major projects | Unmodified |

Identification of major projects:

| <u>CSFA Number(s)</u> | <u>Name of Program</u> |
|-----------------------|--|
| 45.014 | STEAM Showcase and MOSI Technical Institute Grant |

| | |
|---|------------|
| Dollar threshold used to distinguish between type A and type B State projects | \$ 300,000 |
|---|------------|

Section II - Financial Statement Findings

No matters were required to be reported for the year ended September 30, 2016. Accordingly, a corrective action plan is not required.

Section III - State Financial Assistance Findings and Questioned Costs

No matters were required to be reported for the year ended September 30, 2016. Accordingly, a corrective action plan is not required.

Section IV - Other Issues

a. Prior Year Findings

No summary schedule of prior audit findings is presented because there were no prior findings related to State projects.

b. Management Letter

No findings or observations were required to be reported in a management letter pursuant to Section 10.654(1)(e), Rules of the Auditor General.

MANAGEMENT LETTER

MUSEUM OF SCIENCE AND INDUSTRY, INC. AND AFFILIATE

September 30, 2016



**RIVERO, GORDIMER & COMPANY, P.A.
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MANAGEMENT LETTER

Board of Directors
Museum of Science and Industry, Inc. and Affiliate

Report on Financial Statements

We have audited the financial statements of Museum of Science and Industry, Inc. and Affiliate (collectively, the "Organization") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon, dated April 24, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, *Rules of the Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control Over Compliance as required by Chapter 10.650, *Rules of the Florida Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, dated April 24, 2017, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Tampa, Florida
April 24, 2017