



2020

# Tier II Qualification Application Directions & Tips

**Deadline: 4:00 p.m., Friday, May 29, 2020**

Late/Incomplete submissions or prior year's forms will not be accepted.

C.R.S. §32-13-107(3)(b)(II)(A): "Distribution of moneys pursuant to [this paragraph] shall be based upon a formula to be applied annually that gives a specific weight to the annual operating income of such facilities, the annual paid attendance at such facilities, and the annual documented free attendance at such facilities." Pursuant to Resolution 17-14 Pertaining to Weighting of Tier II Funding Formula Factors, it states "commencing in distribution year 2020, for purposes of Tier II distribution, the weight of the statutory factors for the funding formula shall be as follows: Annual Operating Income: 50%; Annual Paid Attendance: 48%; Documented Free Attendance: 2%." The leveraging of these three factors for the receipt of public tax dollars requires that the Scientific and Cultural Facilities District (SCFD) consider only annual operating income, audited paid attendance, and documented free attendance that meet statutory criteria and clearly benefit the public.

## GETTING STARTED

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SCFD receives applications via an online system. If you are having difficulties with the online application, please try using a different web browser. **The recommended web browser for submitting your grant application is Google Chrome.**

### 1. Go to Website

Go to the SCFD website to access the application:

<https://scfd.org/grantmaking/funded-organizations/tier-ii/>

Or click this link to go directly to the application:

<https://app.wizehive.com/apps/scfdqual2020>

### 2. Sign Up for a New 2020 Application

If it is your **first time logging into the 2020** Tier II Qualification Application, **sign up** by entering your email address and password.

If you have **already created an account for the 2020** Tier II Qualification Application, please **login** to review/edit your application.

- If you have created an application, but have **forgotten the password**, please click the “FORGOT PASSWORD” button.
- If you have **forgotten your login email**, please contact the SCFD office at [scfd@scfd.org](mailto:scfd@scfd.org) or 303.860.0588 and we can inform you of the email address you used to create an account however SCFD staff cannot reset your password for you.

### 3. Navigating the Application

At the top of the page you can navigate between the different sections of the application by clicking on each section listed.

The **“NEXT”** button at the bottom of each page will save any information entered into the application and take you to the next page.

The **“SAVE DRAFT”** button will save any information entered into the application and you will remain on the same page. Please be sure to regularly click the “SAVE DRAFT” button.

**All sections and all attachments must be completed.** Any application missing information will be considered incomplete and will not be accepted.



**Help is built-into the application!** Hover over the question mark buttons for more detailed information regarding a section/question/attachment.

If you still need help after hovering over the question mark, refer to the directions or call/email SCFD staff for support at **303.860.0588**.

### 4. Application Attachments

**All attachments must be submitted in .pdf file format only.** Free online programs that convert documents (such as financial documents, excel files, and word documents ) to **.pdf** include: <https://smallpdf.com/> and <https://topdf.com/>

## SECTION 1: ORGANIZATION INFORMATION

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**Statutory Discipline:** Choose the SCFD statutory discipline(s) that best fits your organization. Check all boxes that apply or check one that most closely aligns

**Focus Area:** Choose the art form or scientific field that best fits your organization. Check all boxes that apply or that most closely align to your programming.

**Primary and Internal Financial Contact Names:** These contacts will be who SCFD Staff will contact throughout the year. *If you have staff changes or you move offices during the year, please update SCFD staff immediately.*

**Most Recently Completed Fiscal Year Start and End:** Please double-check this! This is not the fiscal year you are currently in. It is the most recently completed fiscal year.

Click the “Next” button to save your information and move onto the next section.

### Check the word limit!

- Most sections have a word limit indicated below each text box on the left. If you exceed the word limit, you will lose all formatting.
- If pasting information from another document, formatting will adjust to the settings on the grant application.
- Bold, italicize, and underline **will not transfer** to the form.
- Please do not type in ALL CAPS.

**QUESTION #1: MISSION STATEMENT** Please provide the mission statement for the organization. If your mission statement has changed since your last application, please provide both the former and current statements. Note: organizational goals and objectives are not required for this question.

## SECTION 2: ATTACHMENTS

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**Please reference Addendum A for detailed information on attachments.**

### Attachment Instructions:

- To upload the **FIVE** required documents listed below, click the "SELECT A FILE" button. Search and click on the file you are attaching. Click “OPEN.” The file will start to download into the grant. You will need to do this for each document.
- When materials are uploaded correctly, they will appear in a blue box with the name of the pdf and “Upload Complete.”
- If an attachment requires multiple documents; combine and upload as one PDF document.

## Required Attachments:

1.  Organizational Audited Financial Statements of most recently completed fiscal year
2.  Most recently filed IRS Form 990, ideally for the time period corresponding to the Audit, public version including all schedules and Form 990T, if applicable; 990 extension, if applicable
3.  2020 Form A – Qualification Matrix and Supporting Documents [Annual Operating Income]

Independent Auditor’s Report verifying Qualification Matrix Form A- Annual Operating Income

Applicable Supporting Detail Schedules as attachments:

- Net Assets Released from Restriction
- Previous Year SCFD Income
- SCC Income
- Unrealized Gains/Losses
- In-kind
- Rental & Residency Income
- Unrelated Business Income per 990T
- Endowment Transfers to operations
- Special Events Income
- Other Income

4.  2020 Form B – Qualifying Paid Attendance and Supporting Documents [Annual Paid Attendance]

Independent Auditor’s Report on Applying Agreed Upon Procedures verifying Form B

Applicable Supporting Detail Schedules as attachments:

- Qualifying Performance/Exhibits/Benefits
- Qualifying Tour Group Admissions/Attendance
- Other Qualifying Attendance
- Private Events Attendance
- Non-qualifying Performance/Exhibits/Benefits
- Other Non-Qualifying Event Attendance

5.  2020 Form C – Qualifying Documented Free Attendance and Supporting Documents

Organization’s Report on Applying Agreed Upon Procedures verifying Form C

Applicable Supporting Detail Schedules as attachments:

- Subscription/Membership Attendance
- Individual/General Free Admissions
- Qualifying Performance/Exhibits/Benefits
- Free Enrollment for Courses or Classes
- Qualifying Tour Group Admissions/Attendance
- Free Outreach Programs
- Other Qualifying Free Attendance

## SECTION 3: ASSURANCES

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**All applicants** must complete the *Assurances* page. The authorizing official, who is named at the bottom of the webpage, is responsible for the content in each assurance statement. The authorizing official must read the completed application and review all attachments before submitting the document.

- Read and answer all assurances that apply to the organization.
- Sign and date, then click “NEXT” to review and submit the Qualification Application.
- You will then be taken to the entire application to review and make edits, if needed.

## SECTION 4: REVIEW and SUBMIT

In the Review Section, your organization’s entire Qualification Application can be viewed and edited. After you have completed all required application information, carefully proofread all content and uploaded all required attachments, click the “SUBMIT” button.

Although the organization’s auditor may complete Forms A and B, it is the organization’s ultimate responsibility to check all submissions for accuracy and correctness prior to submission. Use of a prior year’s Form A or Form B will **disqualify** the application. **Do not delete or change the wording on any form.**

**WARNING:** Once you click the “SUBMIT” button you will not be able to change/correct any information!

**IMPORTANT:** If you do not receive an auto-reply email message (from SCFD Staff [applications@wizehize.com](mailto:applications@wizehize.com)) after submitting your grant application, your application was NOT received. Call the SCFD office immediately and **prior** to the deadline for help at 303.860.0588. The email is automatically sent to the email address that was used to log in. If you are unsure of what email address you used to create the log in, contact SCFD at 303.860.0588.

## FINAL: PRINT APPLICATION & SAVE TO YOUR COMPUTER

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After the application has been submitted, a screen will appear with “Thank you for completing your Qualification Application. Your application has been submitted.” This screen provides the opportunity to “**PRINT**” the application for your records and to “**LOGOUT**”. Printing the application will not print any attachments but will only print the completed Qualification Application form. You may log in at any time to print the application.

**TIP:** If you would like to print the application prior to submittal, right click within the document and select “Print”. This will give you the application only. It will not print any attachments.

## RECOMMENDED: QUALIFICATION REVIEW SESSION

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Tuesday, March 24, 2020

2:00-4:00pm

Children’s Museum of Denver at Marsico Campus

2121 Children’s Museum Dr. Denver, CO 80211

## QUESTIONS & CONTACT INFORMATION

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SCFD Staff is available to help! Please contact the SCFD office at **303.860.0588** if you have any questions or concerns regarding SCFD reporting or application procedures. Office hours are **Monday-Friday, 8:30am-5:00pm.**

303.860.0588 ext 112

**Dana Manyothane**, Program Manager

[dana@scfd.org](mailto:dana@scfd.org)

303.860.0588 ext 114

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**Jessica Kato**, Deputy Director

[jessica@scfd.org](mailto:jessica@scfd.org)

## ADDENDUM A: **DETAIL OF QUALIFICATION APPLICATION ATTACHMENTS**

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**No late or additional documents will be accepted after the deadline of 4:00 P.M. Friday, May 29, 2020.**

Early submission is encouraged. Incomplete applications and applications submitted on a prior year's Form A , B, or C will NOT BE ACCEPTED. Do not delete or change the categories on any form.

### **FINANCIAL DOCUMENTS**

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**The most recently filed IRS Form 990** (public version) including all schedules and Form 990T, if applicable; include 990 extension if applicable.

**Organization's Audited Financial Statements** for the most recently completed fiscal year, containing the Audit Letter, balance sheet, statement of revenues and expenses and auditor's notes to the financial statements; The 'Audit Letter' must be signed by the auditor verifying that an audit of the organization's finances has been conducted in accordance with GAAP or GASBE. This is a different document than the Independent Auditor's Report to accompany the Matrix. A Management Letter will be requested by SCFD, only if necessary, based on financial or other information in the application.

### **QUALIFICATION MATRIX: FORM A – ANNUAL OPERATING INCOME (AOI)**

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**Based on legislative changes to the SCFD statute, the CPI from the previous two years (2017 & 2018) will be used to calculate the change in the Tier II threshold. The 2020 Tier II Qualifying Threshold is \$1,748,433.53.**

This form is used for reporting unrestricted annual operating income. AOI is the total income from all sources per the organizational Audited Financials less the exclusions. Exclusions are discussed below. The 2020 version of the Qualification Matrix is required. Use of a prior year's form will disqualify the application. The Matrix must be verified and include the Independent Auditor's Report along with other documents outlined. See pages 9-10 for sample Independent Auditor Reports.

#### **MATRIX TIPS:**

- The upper chart records Total Unrestricted AOI and the lower chart records Total Qualifying Income.
- Rename column headings to match the categories used in your organization's audit. Add columns as needed.
- Fill in Line 1 with subtotals from the audit using the figures of "Unrestricted" income.
- Rows A-I are Revenue figures excluded from qualifying income.
- Rows L-X are Revenue figures included to establish qualifying income.
- The matrix calculates across rows and down columns.
- Combine the Matrix with any detailed schedules and the auditor's report into a single PDF. The schedules relate to the Matrix's asterisked categories. Include schedules if you have entries in any of these lines or columns: *Net Assets Released* (if listed on the financial statements, attach details of the original source of the asset (i.e. foundation, corporate, individual, etc.), *Previous Year SCFD Income, SCC Income, Special Events Income, Rental & Residency or Unrelated Business Income, Endowment Transfers, Unrealized Capital Gains or Losses, Other Income, and In-kind*)

- Row F: All unrealized Gains or Losses must be excluded so that only realized income is counted toward Qualifying Revenue.
- Row I exists to allow for occasional need to reconcile Matrix figures to Audit (net versus gross, etc.; *review with SCFD, if this is the case*).
- Total Unrestricted AOI as reported on line K and Total Qualifying Income as reported on line Y should be equal. This number must exceed the Tier II 2020 Qualifying Threshold of \$1,748,433.53.

## EXCLUSIONS:

The following forms of income must be excluded from the calculation of unrestricted AOI. Underlined items in the box below are required to be excluded per SCFD statute. Other exclusions are accounting industry standards and IRS requirements applicable to 501(c)(3) non-profit organizations or SCFD policy.

- **Capital construction fund income** (C.R.S. §32-13-103 (1.5)) 100% of capital donations must be excluded. Administrative fees cannot be deducted from and shall not count toward qualifying income.
- **Designated funds raised for the purchase of specified capital needs** (C.R.S. §32-13-103 (1.5))
- **Income for endowment corpus** (C.R.S. §32-13-103 (1.5))
- **Previous Year SCFD Income** - (requires schedule\*) (C.R.S. §32-13-103 (1.5)) Exclude total SCFD funds received in your most recently completed fiscal year; you must note which quarters of SCFD income are reflected in your audit. If audit totals are different from actual SCFD funds distributed, provide reconciliation and explain why there is a difference, i.e., accrual accounting, restricted funds, etc.
- **SCC Income (if posted as income)** - (requires schedule\*) (C.R.S. §32-13-103 (1.5))
- **In-kind Income** - (requires schedule\*) must be excluded even if provided by a related party.
- **Unrelated Business Income per 990T** - According to the Internal Revenue Code this is income which is not substantially related to the organization's exempt purpose for exclusion from tax under section 501(c)(3), on which the organization must report and pay tax. This income is excluded because the income is not directly associated with the organization's charitable purpose and therefore is not consistent with the intent of the Act. (requires schedule\*)
- **Sales and Seat tax revenue**

## TOTAL QUALIFYING INCOME:

Includes all income except the exclusions outlined above, and may include:

### Allowable Earned and Passive Income:

- Ticket sales (net of seat and sales taxes)
- Memberships
- Tuition from classes/workshops
- Concession/gift sales (net of expenses)
- Income from all Rentals & Scientific/Cultural Residencies (requires schedule\*)
- Interest and Investment Income, net of management fees
- Other income (requires schedule\*)

### Contributed Income:

- Support from Individuals
- Corporate support
- Charitable Foundations
- Income from Endowment (requires schedule\*)
- Government funding (excluding SCFD)
- Special Event Income net of expenses (requires schedule\*)



## CLARIFICATION RELATED TO POSSIBLE SOURCES OF INCOME:

- **Ticket sales and other sources of taxable income are to be recorded net of sales and seat taxes** since taxes are passed through the organizations and, therefore, are not actual income.
- **All Concession sales shall be counted at net income, i.e., less cost of merchandise/food, etc.**
- **Rental income and Special Events income** that are not excessive in comparison to the overall income are allowable. Attach detailed schedules.
- **Scientific or cultural residency** - in general terms, is an opportunity for an individual or group of individuals to enhance their participation in a scientific or cultural organization's mission and programs through residence in facilities owned and managed by the qualifying institution.
- **Interest** - report all realized interest income on this line, except interest earned from endowment. **Investment** income must be reported at net of fees, management or otherwise.
- **Other income** may include, for example, royalty earnings, program services revenue, paid outreach, etc.
- **In-kind income** is the value of third party contributed goods and services which provide budget relief and is excluded.
- **Income from endowment**, which was transferred to operations, should be counted only once toward an organization's qualifying revenue. Applicants should take care that qualifying revenue does not include contributions to an endowment or unnecessary transfers between endowment and operating funds. SCFD will audit any unusual endowment activity.
- **Government funding (exclusive of SCFD)** – report other grants, awards or contracts.
- **SCC revenue** is not SCFD revenue. It must be reported as excluded on Line E (*SCC Income*) if it is posted as income and not as a reimbursement. The SCC is a cooperative of Tier I, II, and III organizations and is self-administered. These funds should not be confused with formula and discretionary funds received directly from SCFD. SCC is supported only with members' SCFD discretionary funds. Therefore, funds received from SCC may not be treated as income. The only exception to this statutory rule is when an organization's SCC income exceeds its payment to the SCC. Under those circumstances, only the net increase may be reported as income.

## FORM B – ANNUAL PAID ATTENDANCE

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In the Statute, **qualifying paid attendance** means the total annual **paid** attendance at all programs **as verified** by annual audit reports, having met a **4-Part Test** for qualification and furthermore, requires an organization's programs/activities to principally benefit the residents of the District, i.e., the public living in the 7-county District.

Form B must be used to report the annual qualifying and non-qualifying paid attendance and be verified by the accompanying Independent Auditor's Report on Applying Agreed Upon Procedures (see page 13 for sample report).

SCFD recognizes that procedures to verify attendance may vary and therefore strongly advises organizations and their auditors to re-evaluate their process for attendance tracking, reporting and verification annually.

### 4-PART TEST

To confirm qualifying paid attendance, all four of the following tests **must** be met:

1. Program or activity must be **mission-based**; (and meaningfully engages patron/visitor in mission); **and**
2. Program or activity must be one for which the organization normally **charges a fee** to participate; **and**
3. A per-person payment to participate in the program or activity was made to the organization as evidenced by **traceable, contemporaneous documentation**; **and**
4. Program or activity must be **open to the general public** without restriction or limitation by invitation, such that anyone who wishes to purchase a ticket or admission may do so.

**On Form B, all entries marked by an asterisk (\*) require "schedule" attachments.**

- Paid Attendance: provide attendance numbers and a brief description about how each activity meets all of the 4-Part Test, proving attendance qualifies. You may combine similar activities into categories (e.g. 1. Camps; 2. Classes/workshops; 3. Festivals).
- Non-qualifying Attendance: provide schedule detailing attendance numbers and a brief description of which part(s) of the 4-Part Test was not met (ex 1: Private Events (does not meet part 3); ex 2: Non-qualifying Performance (no per person fee; was not open to general public))

### PAID ATTENDANCE INSTRUCTIONS:

- **Subscription Attendance** – count the number of subscriptions (tickets) sold, not the actual attendance of the subscribers who used them, as paid attendance.
- **Membership Attendance** – count members' attendance each time a member makes a visit, as paid attendance.
- **Individual/General/Full Price Admissions** – count the number of full price admissions from primary (core mission-based, permanent/on-going) programming. (Attendance at non-core activities must be detailed in another Form B category).
- **Individual/General/Reduced Price Admissions** – count the number of reduced-price admissions from primary (core mission-based, day-to-day) programming. (Attendance at non-core activities must be detailed in a different Form B category).
- **Qualifying Performance/Exhibits/Benefits** (requires schedule\*) – count the number of paid, mission-based admissions for special programming activities outside the

organization's permanent/on-going programming (*examples: special events, traveling or singular exhibits, distinctly unique performances*)

- **Paid Enrollment for Course or Class** – count attendance for each class session/workshop within a series. If a participant enrolls for a class that meets four times, that participant will be counted four times.
- **Qualifying Tour Group Admissions/Attendance** (requires schedule\*) – count the number of admissions or participants only when a prior written agreement details the up-front payment per individual (i.e., per person fee has been established); (*example: for school groups that are paying for an assembly: a contract is in place prior to the event and states the school will pay \$500 for 300 students to attend; or a funder will pay \$150 for 3 classes of 30 students each (or \$1.66 per student) to receive a workshop at the school*)
- **Other Qualifying Attendance** (requires schedule\*) – count the number of paid attendees not already accounted for in one of the other Form B categories (*examples: drama camps, paid rehearsal performances, one-time collaborations, special celebratory events*)

### **NON-QUALIFYING ATTENDANCE INSTRUCTIONS:**

These admissions do not count toward qualifying paid admissions as they do not meet all components of the 4-Part Test. However, they are essential in reporting the impact of your work to the community.

- **Non-qualifying Tours (school or other)** – count the number of other non-qualifying school assemblies, tours of your site or other workshops (*examples: tours that were free or did not have a per person fee*).
- **Private Events** (requires schedule\*) – count the number of attendees who utilized your facility or services at events that were not open to the public (e.g. *a corporate retreat at a Tier II venue; even if there were incidental cultural connections; visitors may pass by exhibits, but the primary purpose is for a dedicated meeting, or an invitation only event such as a wedding, birthday party, private celebration, etc.*).
- **Non-qualifying Performance/ Exhibit Benefits** (requires schedule\*) – count the number of attendees at activities that may be open to the public but where the specific mission of the cultural organization is secondary to the nature of the activity. This includes ALL fundraising event attendance.
- **Other Non-Qualifying Event Attendance** – (requires schedule\*) – count the number of participants at other non-qualifying if they were not accounted for in any other Form B category. (*example: volunteer recognition activities*)

**Remember, if an activity does not meet ALL of the four-part test requirements, it is non-qualifying.**

See **Addendum B** for sample auditor letters.

## FORM C – ANNUAL DOCUMENTED FREE ATTENDANCE

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- Form C must be used to report annual qualifying documented free attendance and non-qualifying free attendance and be verified by the organization leadership on Applying Agreed Upon Procedures (see page 15 for sample report).
- SCFD recognizes that procedures to verify attendance may vary and are growing throughout this new process; therefore, we strongly advise organizations to re-evaluate their process for attendance tracking, reporting and verification annually and call the SCFD office with questions.

### 4-PART TEST

To confirm documented free attendance, all four of the following tests **must** be met:

1. The program or activity must be **mission-based**; (and meaningfully engages patron/visitor in mission); **and**
2. Participation in the program or activity must be **free of charge** to said participant, regardless of the program or activity's fee structure; **and**
3. A per-person count, demonstrating participation in the program or activity, is kept by the organization as evidences by **verifiable, contemporaneous documentation; and**
4. The program or activity must be **open to the general public**, such that anyone who wishes to participate may do so.

**On Form C, all entries marked by an asterisk (\*) require “schedule” attachments.**

- For Qualifying Documented Free Attendance, provide attendance numbers and a brief description about how each activity meets all of the 4-Part Test, proving attendance qualifies. You may combine similar activities into categories (e.g. 1. Camps; 2. Classes/workshops; 3. Festivals).

### QUALIFYING DOCUMENTED FREE ATTENDANCE INSTRUCTIONS:

- **Subscription/Membership Attendance** (\*requires schedule) – count the number of subscriptions (tickets) given free of charge and used by subscribers OR count a members' attendance each time a member makes a visit, free of charge.
- **Individual/General Free Attendance** (\*requires schedule) – count the number of free of charge admissions from primary (core mission-based, permanent/on-going) programming. (Attendance at non-core activities must be detailed in another Form C category).
- **Qualifying Performance/Exhibits/Benefits** (\*requires schedule) – count the number of free of charge, mission-based admissions for special programming activities outside the organization's permanent/on-going programming (e.g. special events, traveling or singular exhibits, distinctly unique performances)
- **Free Enrollment for Courses or Classes** (\*requires schedule) – count attendance for each class session/workshop within a series. E.g. If a participant enrolls for a class that meets four times, that participant will be counted four times.
- **Qualifying Tour Group Admissions/Attendance** (\*requires schedule) – count the number of free school assemblies, tours of your site or other workshops (examples: tours that were free or did not have a per person fee).
- **Free Outreach Programs** (\*requires schedule) – count the attendance at unpaid outreach activities or events.
- **Other Qualifying Free Attendance** (\*requires schedule) – count the number of participants at other free activities if they were not accounted for in any other Form C category.

## **NON-QUALIFYING FREE ATTENDANCE INSTRUCTIONS:**

These admissions do not count toward qualifying documented free admissions as they do not meet all components of the 4-Part Test. However, they are essential in reporting the impact of your work to the community.

- **Non-mission Related Attendance** – count the number of people attending non-mission related free events, performances, activities, etc.
- **Untrackable Attendance** – include the count of people from events, activities, performances, etc. that are not verifiable (e.g. police counts or aerial/drone footage)
- **Other Non-Qualifying Free Attendance** – count the number of participants at other non-qualifying free activities that were not accounted for in any other Form C category (e.g. volunteer recognition activities)

See **ADDENDUM C** for sample documented free attendance letter.

## ADDENDUM B: **SAMPLE AUDITOR LETTERS**

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*(Verifying Matrix Form A – Annual Operating Income)*

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors

Tier II Applicant Example Museum  
Scientific and Cultural Facilities District:

We have audited the accompanying Tier II Qualification Matrix: Form A – Annual Operating Income (the Form) of Tier II Applicant Example Museum (the Museum) for the year ended Month Day, Year, and the related notes to the Form.

#### Management's Responsibility for Form A – Annual Operating Income

Management is responsible for the preparation and fair presentation of the Form in accordance with the requirements and definitions of the Scientific and Cultural Facilities District. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Form that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Form based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Form is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Form. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Form, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Museum's preparation and fair presentation of the Form 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 Museum'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 Form.

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 Form referred to above presents fairly, in all material respects, the operating and qualifying income of Tier II Applicant Example Museum for the year ended Month Day, Year, determined on the basis of accounting practices specified by the Scientific and Cultural Facilities District as described in Note 1.

#### Basis of Accounting

We draw attention to Note 1 of the Form, which describes the basis of accounting. The Form was prepared in conformity with the financial reporting practices prescribed by the Scientific and Cultural Facilities District, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Scientific and Cultural Facilities District. Our opinion is not modified with respect to this matter.

#### Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Tier II Applicant Example Museum and the Scientific and Cultural Facilities District and is not intended to be and should not be used by anyone other than these specified parties.

A-OK Auditing, Inc.  
Month Day, Year

*(Verifying Form B – Annual Paid/ Unpaid Attendance)*

## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

The Board of Directors

Tier II Applicant Example Museum

Scientific and Cultural Facilities District:

We have performed the procedures enumerated below which were agreed to by management of the Tier II Applicant Example Museum (Museum) solely to assist you in evaluating the accuracy of the accompanying 2017 Form B: Annual Paid/Unpaid Attendance (Attendance Form) prepared in accordance with the requirements of the Scientific and Cultural Facilities District for the year ended Month Day, Year.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We obtained the admission summary reports for all exhibitions and performances and computed the attendance totals and found them to be in agreement with the Form.
2. We selected twenty exhibition or performance dates held during the year and obtained the admission detail reports, recalculated the ticket prices by buyer type (i.e., full price, member, etc.) and found them to be in agreement with the Museum's ticket receipts record.
3. We selected twenty classes held during the year and obtained the admission detail reports, compared the number of participants to the individual class rosters, and agreed the payments made by one participant in each class to the Museum's education payment record.
4. We observed that the seating capacity of the Museum's performance hall equaled or exceeded the totals of attendance for each individual performance.
5. We read the attendance justification as it relates to the Attendance Form and have determined, based on inquiries of management about the methods of preparing the information, comparing the information for consistency with management's responses to our inquiries, and other knowledge obtained during our performance of the agreed-upon procedures on the Attendance Form, that the justification to include attendance on the form as qualifying appear reasonable and are based upon the following criteria established by the SCFD in a 4-Part Test, the elements of which are:
  - 1) the program or activity must be mission-based; and
  - 2) the program or activity must be one for which the organization normally charges a fee to participate; and
  - 3) a per-person payment to participate in the program or activity was made to the organization as evidenced by traceable, contemporaneous documentation; and
  - 4) the program or activity must be open to the general public without restriction or limitation by invitation, such that anyone who wishes to purchase a ticket or admission may do so.

We were not engaged to, and did not perform an audit examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

We have applied certain limited procedures to the required information in accordance with attestation standards established by the American Institute of Certified Public Accountants, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries and other knowledge obtained during our performance of the agreed-upon procedures on the Attendance Form. Our procedures were not sufficient to allow us to express an opinion or provide any assurance on the 4-Part Test. Accordingly, we do not express such an opinion or provide any assurance.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

A-OK Auditing, Inc.  
Month Day, Year

# ADDENDUM C: **SAMPLE DOCUMENTED FREE ATTENDANCE LETTER**

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*(Verifying Form C – Documented Free Attendance)*

## **ORGANIZATION'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

The Board of Directors

Tier II Applicant Example Museum  
Scientific and Cultural Facilities District:

We have performed the procedures enumerated below, which were agreed to by the management of [the organization], solely to evaluate how [the organization] documented qualifying free attendance, prepared in accordance with the requirements of the SCFD. We determined that the activities listed on Form C qualify to be counted as documented free attendance in the funding formula for the most recently completed fiscal year.

[Applicant Organization] assures the following criteria were met in regard to qualifying documented free attendance:

1. The program or activity is mission-based; and
2. Participation in the program or activity must be free of charge to said participant, regardless of the program or activity's fee structure; and
3. A per-person count, demonstrating participation in the program or activity, is kept by the organization as evidenced by verifiable, contemporaneous documentation; and
4. The program or activity must be open to the general public, such that anyone who wishes to participate may do so.

*See Resolution 17-14 pertaining to Weighting of Tier II Funding Formula Factors.*

[Applicant Organization] attests the following:

1. The free attendance reported on Form C is accurate and true to the best of our knowledge.
2. The acceptable methods for documenting free attendance reported on Form C are evidenced by contemporaneous documentation.
3. [Applicant Organization] will provide the contemporaneous documentation to any of these counts should SCFD staff request it for verification
4. [Applicant Organization] agrees that the SCFD Staff will be responsible for verifying reported free attendance, as needed.
5. [Applicant Organization] acknowledges that the decision of SCFD staff is final.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

[Applicant Organization Director Name]

[Applicant Organization Director Signature]

Month Day, Year