

Twenty-First Century Foundation

Management Letter Year Ended December 31, 2009

The report accompanying these financial statements was issued by BDO Seidman, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Twenty-First Century Foundation

Management Letter
Year Ended December 31, 2009

Twenty-First Century Foundation

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May 13, 2010

Board of Directors
Twenty-First Century Foundation
132 West 112th Street
New York, New York 10026

During the course of our audit of Twenty-First Century Foundation (the “Foundation”) financial statements for the year ended December 31, 2009, we observed the Foundation’s significant accounting policies and procedures and certain business, financial and administrative practices.

In planning and performing our audit of the financial statements of the Foundation as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. The Foundation’s responses to the business recommendations, significant deficiencies and material weaknesses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

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 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation’s financial statements will not be prevented or detected and corrected on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.



However, as discussed below, we have developed certain recommendations.

The Foundation's written responses to the recommendations identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

BDO Seidman, LLP

BDO Seidman, LLP

Twenty-First Century Foundation

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Business Recommendations:

I. Investment Manager

Observation:

The investments are significant assets of the Foundation and make up over 30% of the Foundation's total assets. It is a priority to safeguard these assets by continuously monitoring interest fluctuations, market changes, and current events in the national economy. We noticed that with the current investment manager, there were differences within the statement related to pricing and cost of investments. We also noticed that the Foundation is managing the activity that takes place within their investment portfolio.

Recommendation:

We recommend the Foundation and its management would greatly benefit if an independent investment company maintained the responsibility of tracking investment transactions, decisions and custodianship.

Management's Response:

Management will consider the recommendation.

II. Donated Securities

Observation:

While conducting the audit of investments, we noted that the Foundation did not maintain support for donated securities.

Recommendation:

We recommend that management maintain donated securities documentation. This will facilitate the process of valuing the donated securities given by donors.

Management's Response:

Management agrees with the recommendation and will research and improve the process of identifying the specific donor of the securities, and will document it accordingly.

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III. Endowment Fund Transactions

Observation:

While conducting our audit, we found that several transfers to and from the endowment fund were posted incorrectly. Current accounting requirements are such that restrictions on contributions and activities must be classified as either unrestricted, temporarily restricted or permanently restricted.

Recommendation:

We recommend that, for the future, all contributions be closely evaluated regarding which of the classifications best fits. Obviously, the wishes and stipulations of the contribution or gift instrument are critical in making this assessment.

Management's Response:

Management agrees with the recommendation and has established new temporarily restricted net asset accounts related to the appropriate permanently restricted (endowment) net asset accounts, so that any accumulated earnings or spending of those earnings can be accounted for properly.

IV. Allocation of Expenses

Observation:

It was noted during our audit procedures that the Foundation records expenses on a functional basis but has used different methods to allocate expenses from year to year. Although each method is acceptable individually, using different methods lacks consistency.

Recommendation:

We recommend that the Foundation choose one method and use it consistently from year to year to achieve better comparability of financial information.

Management's Response:

Management agrees with the recommendation and, beginning in 2009, management and general expenses are now allocated to the program areas on a time and effort basis.

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Status of Prior Year Findings:

**I. Cash - Over
\$250,000**

Observation:

While conducting the audit of cash, we noted that the Foundation had cash on deposit in excess of the Federally insured limit in a financial institution. This presents a potential for losses to the Foundation in the event of bank or institutional failure. We understand that due to the large deposits of cash receipts it is difficult to maintain less than \$250,000 in the operating account.

Recommendation:

We recommend that management closely monitor cash balances and transfer excess balances to other banks, where possible, to reduce the potential for loss of monetary amounts in excess of the Federally insured level.

Status:

Implemented

**II. Investment
Manager**

Observation:

The Foundation has recently increased holdings of investments that consist of various certificates of deposit, mutual funds and equity securities. These investments make up over half of the Foundation's total assets. It is a priority to safeguard these assets by continuously monitoring interest fluctuations, market changes, and current events in the national economy. We noticed that with the current investment manager, there were differences within the statement related to pricing and cost of investments. We also noticed that the Foundation is managing the activity that takes place within their investment portfolio.

Recommendation:

We recommend the Foundation and its management would greatly benefit if an independent investment company maintained the responsibility of tracking investment transactions, decisions and custodianship.

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Status:

Not implemented this year – see current year’s comment I.

III. Donated Securities Observation:

While conducting the audit of investments, we noted that the Foundation did not maintain support for donated securities.

Recommendation:

We recommend that management maintain donated securities documentation. This will facilitate the process of valuing the donated securities given by donors.

Status:

Not implemented this year – see current year’s comment II.