

Tennessee Sports Hall of Fame

**For the Year Ended
December 31, 1998**

Arthur A. Hayes, Jr.,
CPA, JD, CFE
Director

Edward Burr, CPA
Assistant Director

Derek D. Martin, CPA
In-Charge Auditor

Mark Collins
Staff Auditor

Erica V. Smith, CPA
Technical Analyst

Amy Brack
Editor

November 9, 1999

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

and

The Honorable Steve Adams, Treasurer

State Capitol

Nashville, Tennessee 37243

and

Mr. Doug Dickey, Tennessee Sports Hall of Fame President

The University of Tennessee

Knoxville, Tennessee 37901

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Sports Hall of Fame for the year ended December 31, 1998. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/ms
00/014

State of Tennessee

A u d i t H i g h l i g h t s

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Sports Hall of Fame
For the Year Ended December 31, 1998

AUDIT OBJECTIVES

The objectives of the audit were to consider the Tennessee Sports Hall of Fame's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Tennessee Sports Hall of Fame
For the Year Ended December 31, 1998

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Tennessee Sports Hall of Fame For the Year Ended December 31, 1998

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Sports Hall of Fame. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

LEGISLATIVE HISTORY

The Tennessee Sports Hall of Fame was created in 1994 by the General Assembly under Section 4-3-5402, *Tennessee Code Annotated*. The purpose of the Hall of Fame is to honor athletes, athletic teams, and other sports personalities of Tennessee.

ORGANIZATION

The Tennessee Sports Hall of Fame is governed by a 25-member board of directors. Eight members are appointed by the Governor, eight by the Lieutenant Governor, and eight members by the Speaker of the House of Representatives. The State Treasurer or his designee serves *ex officio*.

AUDIT SCOPE

The audit was limited to the period January 1, 1998, through December 31, 1998, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended December 31, 1998, and for comparative purposes, the year ended December 31, 1997.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the Tennessee Sports Hall of Fame's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the Tennessee Sports Hall of Fame's financial statements for the year ended December 31, 1998, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

There were no provisions of laws, regulations, contracts, or grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the financial statements of the Tennessee Sports Hall of Fame.

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

October 6, 1999

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of the Tennessee Sports Hall of Fame as of and for the year ended December 31, 1998, and have issued our report thereon dated October 6, 1999. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

We assessed compliance with laws, regulations, contracts, and grants pertaining to the Tennessee Sports Hall of Fame. We determined there to be no compliance requirements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Therefore, we did not test for compliance with laws, regulations, contracts, and grants.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tennessee Sports Hall of Fame's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the

The Honorable John G. Morgan
October 6, 1999
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design or operation of one or more of the internal control components does not reduce to a low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting that we have reported to the Tennessee Sports Hall of Fame's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/ms

Independent Auditor's Report

October 6, 1999

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of the Tennessee Sports Hall of Fame, as of December 31, 1998, and December 31, 1997, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Tennessee Sports Hall of Fame's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Sports Hall of Fame, as of December 31, 1998, and December 31, 1997, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan
October 6, 1999
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The Year 2000 Disclosures on page 12 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Tennessee Sports Hall of Fame is or will become year 2000 compliant, that the Tennessee Sports Hall of Fame's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Tennessee Sports Hall of Fame does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 1999, on our consideration of the Tennessee Sports Hall of Fame's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/ms

TENNESSEE SPORTS HALL OF FAME
BALANCE SHEETS
DECEMBER 31, 1998, AND DECEMBER 31, 1997

	1998	1997
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,443,356	\$ 203,498
Certificates of deposit	-	1,477,473
Construction in progress-museum exhibits	567,906	26,500
Interest receivable	58	34,701
Total assets	\$ 2,011,320	\$ 1,742,172
<u>LIABILITIES AND EQUITY</u>		
Accounts payable	\$ 210,772	\$
Total liabilities	210,772	
Equity		
Retained earnings-unreserved	300,548	242,172
Contributed capital	1,500,000	1,500,000
Total equity	1,800,548	1,742,172
Total liabilities and equity	\$ 2,011,320	\$ 1,742,172

See accompanying Notes to the Financial Statements.

TENNESSEE SPORTS HALL OF FAME
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1998, AND DECEMBER 31, 1997

	1998	1997
<u>OPERATING REVENUES</u>		
Membership dues	\$ 970	\$ 3,140
Banquet revenue	26,295	12,125
Golf tournament	33,600	-
Contributions	35	-
Total operating revenues	<u>60,900</u>	<u>15,265</u>
<u>OPERATING EXPENSES</u>		
Membership		
Printing	-	574
Total membership	<u>-</u>	<u>574</u>
Banquet		
Inductee and honoree expense	4,061	3,040
Food and entertainment	16,709	11,264
Audio-visuals	8,087	8,869
Printing and artwork	2,353	2,579
Postage	629	199
Supplies and temporary help	171	289
Total banquet	<u>32,010</u>	<u>26,240</u>
General and Administrative		
Board expenses	1,434	456
Management fee	22,664	12,000
Telephone and fax	517	47
Supplies-general office	22	6
Printing and stationery	2,912	825
Subscriptions	-	100
Miscellaneous expense	23	163
Postage	589	290
Accounting service	85	400
Insurance	250	250
Taxes, licenses, and fees	20	40
Total general and administrative	<u>28,516</u>	<u>14,577</u>
Golf Tournament	<u>14,316</u>	<u>-</u>
Hall of Fame Museum		
Arena rent	100	100
Museum research-travel	369	6,573
Interactives, multi-media and audio-visuals	2,165	-
Artifact acquisition	1,595	-
Museum management	3,601	-
Miscellaneous expense	83	256
Total Hall of Fame Museum	<u>7,913</u>	<u>6,929</u>
Total operating expenses	<u>82,755</u>	<u>48,320</u>
Operating loss	<u>(21,855)</u>	<u>(33,055)</u>
<u>NONOPERATING REVENUES</u>		
Interest income	<u>80,231</u>	<u>90,996</u>
Total nonoperating revenues	<u>80,231</u>	<u>90,996</u>
Net income	<u>58,376</u>	<u>57,941</u>
Retained earnings, January 1	<u>242,172</u>	<u>184,231</u>
Retained earnings, December 31	<u>\$ 300,548</u>	<u>\$ 242,172</u>

See accompanying Notes to the Financial Statements.

TENNESSEE SPORTS HALL OF FAME
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, AND DECEMBER 31, 1997

	1998	1997
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating loss	\$ (21,855)	\$ (33,055)
Increase in accounts payable	210,772	-
Net cash provided (used) by operating activities	188,917	(33,055)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of certificates of deposit	(1,517,854)	(4,373,049)
Proceeds from maturities of certificates of deposit	2,995,328	4,505,428
Interest received	114,873	78,199
Net cash provided by investing activities	1,592,347	210,578
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Construction of fixed assets	(541,406)	(26,500)
Net cash used by capital and related financing activities	(541,406)	(26,500)
Net increase in cash	1,239,858	151,023
Cash at January 1	203,498	52,475
Cash at December 31	\$ 1,443,356	\$ 203,498

See accompanying Notes to the Financial Statements.

**Tennessee Sports Hall of Fame
Notes to the Financial Statements
December 31, 1998, and December 31, 1997**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tennessee Sports Hall of Fame is a nonprofit corporation founded in the 1960s to honor the outstanding achievements of Tennesseans in the realm of sports. With Title 4, Chapter 3, of *Tennessee Code Annotated*, the General Assembly passed the Tennessee Sports Hall of Fame Act of 1994 (Act) to officially create a Tennessee Sports Hall of Fame to honor, preserve, and perpetuate the names and accomplishments of outstanding Tennessee athletes, athletic teams, and other sports personalities; to establish, erect, and maintain a permanent archive for the collection and display of memorabilia related to the lives and careers of individuals, teams, and sports events chosen for induction by the hall of fame; and to promote the spirit of sportsmanship and genteel competition both inside and outside the arena of athletic competition.

Under the act, a new board of directors was founded composed of 25 Tennessee citizens, eight appointed by the Governor, eight by the Lieutenant Governor, and eight by the Speaker of the House. The State Treasurer or his designee serves as an *ex officio* member of the board.

The Tennessee Sports Hall of Fame has been classified as a related organization of the State of Tennessee and is discussed in a note to the financial statements in the *Tennessee Comprehensive Annual Financial Report*.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency follows all applicable GASB pronouncements, as well as applicable private-sector pronouncements issued on or before November 30, 1989.

Measurement Focus and Basis of Accounting

The accompanying financial statements of the Tennessee Sports Hall of Fame have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

**Tennessee Sports Hall of Fame
Notes to the Financial Statements (Cont.)
December 31, 1998, and December 31, 1997**

B. OTHER ACCOUNTING DISCLOSURES

Cash and Certificates of Deposit

Cash includes demand deposits, savings deposits in banks, and certificates of deposit with maturities of 90 days or less. Certificates of deposit with original maturities of three months or longer are stated at cost and are not considered cash equivalents.

The bank balances of deposits including cash, certificates of deposit, and accrued interest are in financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. The securities pledged to protect these deposits are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Risk Management

The Tennessee Sports Hall of Fame is exposed to various risks of loss and has purchased commercial insurance for these risks. There have been no claims filed with the commercial insurer in the past three years.

C. COMMITMENTS AND CONTINGENCIES

At December 31, 1998, outstanding commitments under construction contracts totaled \$511,391 for the construction of the Hall of Fame Museum that will be funded by assets currently held. At December 31, 1997, there were no outstanding commitments under construction contracts.

D. PRIOR-PERIOD RESTATEMENTS

Hall of Fame Museum expenses were overstated by \$26,500 on the agency's statement of revenues, expenses, and changes in retained earnings for the year ended December 31, 1997. These expenses should have been capitalized on the agency's balance sheet. The balance sheet as of December 31, 1997; the statement of revenues, expenses, and changes in retained earnings for the year ended December 31, 1997; and the statement of cash flows for the year ended December 31, 1997, presented in this report have been restated.

**Tennessee Sports Hall of Fame
Required Supplementary Information
Year 2000 Disclosures**

The Year 2000 issue (Y2K) refers to the fact that many computer software programs use only the last two digits of a data field to refer to year on the assumption that the first two digits are 19. These programs would interpret the year 2000 as the year 1900, the year 2001 as 1901, etc., absent programming logic to the contrary. The issue therefore extends to computer hardware, computer software, electronics and other equipment dependent on microchip technology. Without reprogramming, such software and equipment could impact the ability to input data into computer programs and the ability of such programs to correctly process data.

The Tennessee Sports Hall of Fame has assessed the impact of Y2K on its sole computer system and has determined that its computer system is supportive. Supportive computer systems are those for which there are manual alternatives that could be performed if necessary. The MYOB accounting package is used to maintain all financial transactions and prepare the financial statements. MYOB is in the assessment stage. The assessment stage is defined as identifying the systems and components for which year 2000 compliance work is needed. It is expected that MYOB will complete the validation/testing stage by June 1999. This stage is defined as validating and testing any changes that were made during the remediation stage. The remediation stage is defined as making any necessary changes to systems and equipment. The MYOB accounting package resides on a personal computer. The personal computer is in the validation/testing stage.

The completion of all stages identified as necessary to address the Y2K issue is not a guarantee that systems and equipment will be year 2000 compliant.

The Tennessee Sports Hall of Fame's Y2K initiatives did not result in the commitment of significant financial resources as of the end of the Tennessee Sports Hall of Fame's reporting period. The Tennessee Sports Hall of Fame is not aware of any circumstances or costs to achieve Y2K compliance that will have a negative impact on the operations or financial status of the Tennessee Sports Hall of Fame.