

Tennessee Sports Hall of Fame

**For the Year Ended
December 31, 2002**

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

State Capitol
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John G. Morgan
Comptroller

October 30, 2003

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
and
Board of Directors
Tennessee Sports Hall of Fame
Nashville, Tennessee 37203

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Sports Hall of Fame for the year ended December 31, 2002. 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/mb
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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Sports Hall of Fame
For the Year Ended December 31, 2002

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, please contact

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Audit Report
Tennessee Sports Hall of Fame
For the Year Ended December 31, 2002

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Tennessee Sports Hall of Fame For the Year Ended December 31, 2002

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 4-3-5405, *Tennessee Code Annotated*, which states, "All annual reports and all books of accounts and financial records of the hall of fame shall be subject to audit annually by the comptroller of the treasury."

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 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, 2002, through December 31, 2002, and was conducted 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. Financial statements are presented for the year ended December 31, 2002, and for comparative purposes, the year ended December 31, 2001.

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.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

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, 2002, 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 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. 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.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

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

September 11, 2003

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, 2002, and have issued our report thereon dated September 11, 2003. 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.

Compliance

We assessed compliance with laws, regulations, contracts, and grants pertaining to the Tennessee Sports Hall of Fame. We determined that there were 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.

However, an instance of noncompliance came to our attention that we have reported to the Tennessee Sports Hall of Fame's management in a separate letter.

The Honorable John G. Morgan
September 11, 2003
Page Two

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 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 a matter 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, the board of directors, 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,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA,
Director

AAH/mb



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

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Independent Auditor's Report

September 11, 2003

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, 2002, and December 31, 2001, 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 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 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, 2002, and December 31, 2001, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable John G. Morgan
September 11, 2003
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2003, on our consideration of the Tennessee Sports Hall of Fame's internal control over financial reporting and of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." The signature is written in a cursive style with a large, prominent initial "A".

Arthur A. Hayes, Jr., CPA,
Director

AAH/mb

TENNESSEE SPORTS HALL OF FAME
BALANCE SHEETS
DECEMBER 31, 2002, AND DECEMBER 31, 2001

	<u>2002</u>	<u>2001</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 116,468	\$ 602,628
Short-term investments	601,817	-
Museum exhibits (net of accumulated depreciation of \$295,299 for 2002 and \$196,866 for 2001)	1,124,670	1,223,103
Accounts receivable	-	246
Interest receivable	2,232	386
Prepaid assets	680	1,362
Total assets	\$ <u>1,845,867</u>	\$ <u>1,827,725</u>
<u>LIABILITIES AND EQUITY</u>		
Liabilities		
Accounts payable	\$ <u>4,647</u>	\$ <u>6,999</u>
Equity		
Contributed capital	1,204,701	1,303,134
Retained earnings - unreserved	<u>636,519</u>	<u>517,592</u>
Total equity	<u>1,841,220</u>	<u>1,820,726</u>
Total liabilities and equity	\$ <u>1,845,867</u>	\$ <u>1,827,725</u>

TENNESSEE SPORTS HALL OF FAME
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
 FOR THE YEARS ENDED DECEMBER 31, 2002, AND DECEMBER 31, 2001

	2002	2001
<u>OPERATING REVENUES</u>		
Membership dues	\$ 5,725	\$ 6,140
Banquet revenue	45,960	34,335
Golf tournament	16,980	21,590
Contributions	196,550	118,750
Museum ticket sales	6,224	7,712
Total operating revenues	<u>271,439</u>	<u>188,527</u>
<u>OPERATING EXPENSES</u>		
Membership	1,826	920
Banquet	45,220	44,733
General and administrative	99,699	102,079
Golf tournament	1,263	2,458
Hall of fame museum	112,836	116,963
Total operating expenses	<u>260,844</u>	<u>267,153</u>
Operating income (loss)	<u>10,595</u>	<u>(78,626)</u>
<u>NONOPERATING REVENUES</u>		
Interest income	9,899	22,104
Total nonoperating revenues	<u>9,899</u>	<u>22,104</u>
Net income (loss)	20,494	(56,522)
Add depreciation on assets acquired with contributed capital	<u>98,433</u>	<u>98,433</u>
Increase in retained earnings	118,927	41,911
Retained earnings, January 1	<u>517,592</u>	<u>475,681</u>
Retained earnings, December 31	<u>\$ 636,519</u>	<u>\$ 517,592</u>

See accompanying Notes to the Financial Statements.

TENNESSEE SPORTS HALL OF FAME
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, AND DECEMBER 31, 2001

	<u>2002</u>	<u>2001</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 10,595	\$ (78,626)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation expense	98,433	98,433
Decrease in accounts receivable	246	179
(Increase) decrease in prepaid assets	682	(1,362)
(Decrease) in accounts payable	<u>(2,352)</u>	<u>(315)</u>
Net cash provided by operating activities	<u>107,604</u>	<u>18,309</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	8,053	23,183
Investment purchases	(801,817)	-
Proceeds from maturities of investments	<u>200,000</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(593,764)</u>	<u>23,183</u>
Net increase (decrease) in cash and cash equivalents	<u>(486,160)</u>	<u>41,492</u>
Cash and cash equivalents, January 1	<u>602,628</u>	<u>561,136</u>
Cash and cash equivalents, December 31	<u>\$ 116,468</u>	<u>\$ 602,628</u>

**Tennessee Sports Hall of Fame
Notes to the Financial Statements
December 31, 2002, and December 31, 2001**

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: 8 appointed by the Governor, 8 by the Lieutenant Governor, and 8 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, 2002, and December 31, 2001**

B. OTHER ACCOUNTING DISCLOSURES

Deposits and Investments

Cash and cash equivalents include demand deposits, savings deposits in banks, and certificates of deposit with maturities of 90 days or less. Investments include certificates of deposit with maturities of more than 90 days and are reported at cost. The bank balances of deposits and investments, including 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 and investments 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.

Museum Exhibits and Depreciation

Museum exhibits are reported net of accumulated depreciation and include any improvements costing in excess of \$5,000. Depreciation expense is charged directly against Contributed Capital. Costs of maintenance and repairs are charged to expense. Depreciation is calculated by the straight-line method to allocate the cost of the assets over their estimated useful lives. The general range of useful lives is 5 to 10 years for interactive, audio-visual, and multi-media assets and 20 to 30 for all other exhibit assets.