

AUDIT REPORT

Tennessee Sports Hall of Fame

For the Year Ended
December 31, 2013



STATE OF TENNESSEE COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



Deborah V. Loveless, CPA, CGFM
Director

Edward Burr, CPA, CGFM
Assistant Director

David Cook, CPA
Teresa Hensley, CPA, CGFM
Audit Managers

Sarina Oster, CPA, CFE
In-Charge Auditor

Gerry C. Boaz, CPA, CGFM
Technical Manager

Amy Brack
Editor

Amanda Adams
Assistant Editor

Comptroller of the Treasury, Division of State Audit
Suite 1500, James K. Polk State Office Building, 505 Deaderick Street, Nashville, TN 37243-1402
(615) 401-7897

Financial/compliance audits of state departments and agencies are available online at
www.comptroller.tn.gov/sa/AuditReportCategories.asp.
For more information about the Comptroller of the Treasury, please visit our website at www.comptroller.tn.gov.



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

SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402

PHONE (615) 401-7897
FAX (615) 532-2765

October 21, 2014

The Honorable Bill Haslam, Governor
Members of the General Assembly
Board of Directors, Tennessee Sports Hall of Fame

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Sports Hall of Fame for the year ended December 31, 2013. You will note from the independent auditor's report that an unmodified opinion was given on the fairness of the presentation of the financial statements.

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

Sincerely,

Deborah V. Loveless, CPA
Director

14/087

Audit Report
Tennessee Sports Hall of Fame
For the Year Ended December 31, 2013

TABLE OF CONTENTS

	<u>Page</u>
Audit Highlights	1
Financial Section	
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to the Financial Statements	12
Internal Control, Compliance, and Other Matters	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16

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, 2013

Opinion on the Financial Statements

The opinion on the financial statements is unmodified.

Audit Findings

The audit report contains no findings.



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

PHONE (615) 401-7897
FAX (615) 532-2765

SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402

Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
Board of Directors, Tennessee Sports Hall of Fame

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee Sports Hall of Fame as of and for the years ended December 31, 2013, and December 31, 2012, and the related notes to the financial statements, which collectively comprise the Tennessee Sports Hall of Fame's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 principles used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 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, 2013, and December 31, 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014, on our consideration of the Tennessee Sports Hall of Fame'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 Tennessee Sports Hall of Fame's internal control over financial reporting and compliance.



Deborah V. Loveless, CPA
Director
September 16, 2014

Tennessee Sports Hall of Fame Management's Discussion and Analysis

The Management of the Tennessee Sports Hall of Fame, Inc. (TSHF) provides this discussion and analysis as an overview of the TSHF's financial activities for the fiscal years ended December 31, 2013, and December 31, 2012. This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- ◆ At December 31, 2013, the TSHF had current assets of \$599,626, a decrease of \$95,645, or 13.8%, from \$695,271 at December 31, 2012.
- ◆ Total operating revenue for the year ended December 31, 2013, totaled \$190,772, an increase of \$12,197, or 6.8%, from \$178,575 for the year ended December 31, 2012.
- ◆ Net investment income for the year ended December 31, 2013, totaled \$534, a decrease of \$509, or 49%, from \$1,043 for the year ended December 31, 2012. Market conditions have resulted in a simple average return to the TSHF portfolio of .08% during fiscal year 2013. The six-month Average Treasury Bill Rate for 2013 was .08%.
- ◆ An operating loss of \$146,706 was recognized for the year ended December 31, 2013. This was an increase of \$9,218, or 6.7%, from a \$137,488 loss for the year ended December 31, 2012. Excluding depreciation expense, the operating loss was \$95,607 for the year ended December 31, 2013. This was an increase of \$11,223, or 13.3%, from an \$84,384 operating loss for the year ended December 31, 2012.
- ◆ Operating expenses for the year ended December 31, 2013, totaled \$337,478, an increase of \$21,415, or 6.8%, from \$316,063 for the year ended December 31, 2012. Excluding depreciation expense, operating expenses for the year ended December 31, 2013, were \$286,379, an increase of \$23,420, or 8.9%, from \$262,959 for the year ended December 31, 2012. The Consumer Price Index (Rate of Inflation) was 1.5% for the 12 months ended December 31, 2013.
- ◆ In 2007, the State of Tennessee provided for a one-time direct appropriation grant in the amount of \$250,000 to the Tennessee Sports Hall of Fame for the improvement of museum exhibits and equipment and the acquisition of additional artifacts for the museum. The grant must be matched on a dollar-for-dollar basis by private donations. In 2013, there was nothing received in donations toward the grant, and \$5,497.57 was spent on improvements and additions to the museum. In 2012, \$9,967 was received in donations toward the grant, and \$29,456.67 was spent on improvements and additions to the museum.

OVERVIEW OF THE FINANCIAL STATEMENTS

The TSHF's financial statements consist of the *Statements of Net Position*; the *Statements of Revenues, Expenses, and Changes in Net Position*; the *Statements of Cash Flows*; and the *Notes to the Financial Statements*. In addition, this *Management's Discussion and Analysis* is included as *Required Supplementary Information*.

The *Statements of Net Position* and the *Statements of Revenues, Expenses, and Changes in Net Position* report information about the TSHF's Net Position (total assets in excess of total liabilities) as of the end of the fiscal year and the changes in net position during the fiscal year. These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis of accounting, the current year's revenues and expenses are included in the financial activity, regardless of when cash is received or paid. The difference between the total assets and total liabilities on the *Statements of Net Position* provides a measurement of the financial position of the TSHF as of the end of the fiscal year. The *Statements of Revenues, Expenses, and Changes in Net Position* provide information on the activities that caused the financial position to change during the fiscal year. Over time, increases or decreases in the Net Position of the TSHF are one indicator of whether the TSHF's financial health is improving or deteriorating. The *Statements of Cash Flows* provide an overall indication of the amount and sources of cash received and how it was used during the fiscal years. The *Notes to the Financial Statements* are essential to the reader's understanding of the financial statements and provide additional information regarding the TSHF, such as the general composition of the board of directors, and information about the accounting policies used in the recording of financial transactions and in the preparation of these financial statements.

ANALYSIS OF ASSETS, LIABILITIES, AND NET POSITION

At December 31, 2013, the TSHF had a net position (total assets in excess of total liabilities) of \$985,007, a decrease of \$116,172, or 10.5%, from \$1,101,179 at December 31, 2012. The decrease in net position was primarily due to not receiving as many contributions as needed and using unrestricted net position to cover the operating loss. Net position at December 31, 2012, represented a decrease of \$116,478, or 10.0%, from \$1,217,657 at December 31, 2011. The assets of the TSHF consist primarily of short-term investments and museum exhibits. More detailed information about the TSHF's capital assets is presented in Note 3 to the financial statements.

Liabilities at December 31, 2013; December 31, 2012; and December 31, 2011, consisted primarily of unearned revenue. Unearned revenue at December 31, 2013, was \$141,404, an increase of \$950, or 0.7%. Unearned revenue at December 31, 2012, was \$140,454, a decrease of \$36,867, or 20.8%, from \$177,321 at December 31, 2011. Unearned revenue is decreased and grant revenue is recognized when private donations for the grant are received.

Net position – net investment in capital assets at December 31, 2013, was \$464,963, a decrease of \$51,099, or 9.9%, from \$516,062 at December 31, 2012. The decrease was due to depreciation. Net position – net investment in capital assets at December 31, 2012, was \$516,062, a decrease of \$30,286, or 5.5%, from \$546,348 at December 31, 2011. The decrease was due to capital asset purchases of \$22,818 and depreciation of \$53,104. Net position restricted for nonexpendable: scholarships at December 31, 2013, was \$65,000, an increase of

\$30,000, or 85.7%, from \$35,000 at December 31, 2012. The increase was due to donations to the endowment. Net position restricted for nonexpendable: scholarships was \$35,000 at December 31, 2012, an increase of \$10,000, or 40.0%, from \$25,000 at December 31, 2011. Net position restricted for expendable: scholarships at December 31, 2013, was \$100, a decrease of \$1,940, or 95.1%, from \$2,040 at December 31, 2012, due to a scholarship award. Net position restricted for expendable: scholarships at December 31, 2012, was \$2,040, an increase from a zero balance at December 31, 2011, because at December 31, 2011, no donations had yet been indicated for the scholarship fund. Net position - restricted for expendable museum improvements at December 31, 2013, was \$83,265, a decrease of \$5,498, or 6.2%, from \$88,763 at December 31, 2012. Net position - restricted for museum improvements at December 31, 2012, was \$88,763, a decrease of \$9,532, or 9.7%, from \$98,295 at December 31, 2011.

Condensed financial information comparing the TSHF's assets, liabilities, and net position for the past three fiscal years follows.

Net Position

	December 31, 2013	December 31, 2012	Percent Change FY 13-FY 12	December 31, 2011	Percent Change FY 12-FY 11
Assets					
Current assets	\$ 599,626	\$ 695,271	-4%	\$ 846,921	-18%
Capital assets	464,963	516,062	-10%	546,348	-6%
Other assets	65,000	35,000	86%	25,000	40%
Total assets	1,129,589	1,246,333	-9%	1,418,269	-12%
Liabilities					
Current liabilities	144,582	145,154	<-1%	200,612	-28%
Net position					
Net investment in capital assets	464,963	516,062	-10%	546,348	-6%
Restricted nonexpendable	65,000	35,000	86%	25,000	40%
Restricted expendable	83,365	90,803	-8%	98,295	-8%
Unrestricted	371,679	459,314	-19%	548,014	-16%
Total net position	\$ 985,007	\$1,101,179	-11%	\$1,217,657	-10%

ANALYSIS OF REVENUES AND EXPENSES

Revenues consist of contributions, program revenue, fundraising revenue, investment income, and grant revenue. Contributions for fiscal year 2013 increased by \$10,594, or 23.2%, from contributions in 2012. Contributions for fiscal year 2012 increased by \$17,815, or 64.0%, from contributions in 2011. Contributions can fluctuate on an annual basis depending on market and economic cycles. There was no grant revenue received for the matching private donations for the year ended December 31, 2013. Grant revenue for the matching private donations recognized for the year ended December 31, 2012, was \$9,967, an increase of \$7,592, or 320.0%, from \$2,375 for the year ended December 31, 2011.

Fundraising revenue in fiscal year 2013 increased by \$407, or 1.1%, from fiscal year 2012. Fundraising revenue in fiscal year 2012 decreased by \$20,202, or 34.5%, from 2011 due to less participation and sponsorships in the annual golf tournament and a sponsor paying directly for some golf tournament expenses in lieu of their normal donation. Fundraising revenue consists solely of the annual golf tournament. Investment income for fiscal year 2013 totaled \$534, a decrease of \$509 from fiscal year 2012. Investment income for fiscal year 2012 totaled \$1,043, a decrease of \$1,103 from fiscal year 2011.

Total operating expenses for the year ended December 31, 2013, were \$337,478, an increase of \$21,415, or 6.8%, from \$316,063 for the year ended December 31, 2012. Total operating expenses for the year ended December 31, 2012, were \$316,063, an increase of \$13,370, or 4.4%, from \$302,693 for the year ended December 31, 2011. The cost of goods and services fluctuates over time; however, management of the TSHF continues to seek out the best alternatives for providing these goods and services at the lowest cost. The chief expense items in total operating expenses include depreciation expense related to museum exhibits of \$51,099 in 2013, \$53,104 in 2012, and \$49,949 in 2011, and salary expense of \$137,487, \$135,182, and \$106,502, in fiscal years 2013, 2012, and 2011, respectively.

Financial information comparing the TSHF's revenues and expenses for the past three fiscal years follows.

Changes in Net Position

	Year Ended December 31, 2013	Year Ended December 31, 2012	Percent Change FY 13-FY 12	Year Ended December 31, 2011	Percent Change FY 12-FY 11
Operating revenues					
Membership dues	\$ 5,650	\$ 5,900	-4%	\$ 2,925	102%
Banquet revenue	84,200	85,960	-2%	74,025	16%
Golf tournament	38,760	38,353	1%	58,555	-35%
Contributions	56,326	45,732	23%	27,917	64%
Museum ticket sales	5,836	2,630	122%	4,816	-45%
Total operating revenues	190,772	178,575	7%	168,238	6%
Operating expenses					
Membership	714	774	-8%	312	148%
Banquet	67,260	65,348	3%	65,860	<-1%
General and administrative	179,375	161,601	11%	133,548	21%
Golf tournament	20,815	4,173	398%	12,300	-66%
Hall of fame museum	69,314	84,167	-18%	90,673	-7%
Total operating expenses	337,478	316,063	7%	302,693	4%
Operating loss	(146,706)	(137,488)	7%	(134,455)	2%

Nonoperating revenues					
Interest income	534	1,043	-49%	2,146	-51%
Grant revenue	-	9,967	-100%	2,375	320%
Net nonoperating revenues	534	11,010	-95%	4,521	144%
Loss before other revenues	(146,172)	(126,478)	16%	(129,934)	-3%
Additions to permanent endowment	30,000	10,000	200%	25,000	-60%
<hr/>					
Decrease in net position	(116,172)	(116,478)	<-1%	(104,934)	11%
Total net position, beginning of	1,101,179	1,217,657	-10%	1,322,591	-8%
Total net position, end of year	\$ 985,007	\$1,101,179	-11%	\$1,217,657	-10%

ECONOMIC FACTORS, FUNDING, AND OVERALL OUTLOOK

The economic outlook for the foreseeable future is uncertain. The economic downturn has had a negative impact on most entities. The Federal Reserve lowered interest rates to the current historically low level in December 2008, and this affects the investment portfolio for the TSHF. Interest rates are forecast to remain near zero for at least another year.

There was a continued small increase in both total operating revenues and expenses for the year. The TSHF has been focused on gaining additional sponsorships and contributions, and they expect to see more progress from these efforts in the coming years. Net position continues to decrease as it is used to cover operating expenses of the TSHF. If market conditions continue, the net position of the TSHF is expected to be adequate to sustain the current expenses for several more years.

The financial condition for 2013 was fairly consistent with that of the prior year. Due to continued low interest rates, interest income was lower than 2012; the TSHF did receive more in contributions this year. A highlight for 2013 was an increase in contributions received; both banquet and golf tournament revenues remained consistent, and total operating revenues continued to increase.

CONTACTING THE TSHF

This report is designed to provide a financial overview of the TSHF to state legislators, members of the Board of Directors of the TSHF, state officials, and any other interested parties. Questions or requests for additional information regarding the financial information presented in this report may be addressed in writing to the Tennessee Sports Hall of Fame, 501 Broadway, Nashville, Tennessee 37203.

TENNESSEE SPORTS HALL OF FAME
Statements of Net Position
December 31, 2013, and December 31, 2012

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Assets		
Current assets		
Cash (Note 2)	\$ 40,307	\$ 138,586
Investments (Note 2)	549,296	548,861
Receivables	2,088	321
Inventory	1,730	2,018
Prepaid expenses	6,205	5,485
Total current assets	599,626	695,271
Noncurrent assets		
Cash (Note 2)	65,000	35,000
Capital assets, net (Note 3)	464,963	516,062
Total noncurrent assets	529,963	551,062
Total assets	1,129,589	1,246,333
Liabilities		
Current liabilities		
Accounts payable	3,178	4,700
Unearned revenue	141,404	140,454
Total liabilities	144,582	145,154
Net Position		
Net investment in capital assets	464,963	516,062
Restricted for:		
Nonexpendable		
Scholarships	65,000	35,000
Expendable:		
Scholarships	100	2,040
Museum improvements	83,265	88,763
Unrestricted	371,679	459,314
Total net position	\$ 985,007	\$1,101,179

The notes to the financial statements are an integral part of this statement.

TENNESSEE SPORTS HALL OF FAME
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2013, and December 31, 2012

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operating revenues		
Membership dues	\$ 5,650	\$ 5,900
Banquet revenue	84,200	85,960
Golf tournament	38,760	38,353
Contributions	56,326	45,732
Museum ticket sales	5,836	2,630
Total operating revenues	190,772	178,575
Operating expenses		
Membership	714	774
Banquet	67,260	65,348
General and administrative	179,375	161,601
Golf tournament	20,815	4,173
Hall of fame museum	69,314	84,167
Total operating expenses	337,478	316,063
Operating loss	(146,706)	(137,488)
Nonoperating revenues		
Interest income	534	1,043
Grant revenue	-	9,967
Net nonoperating revenues	534	11,010
Loss before other revenues	(146,172)	(126,478)
Additions to permanent endowment	30,000	10,000
Decrease in net position	(116,172)	(116,478)
Net position - beginning of year	1,101,179	1,217,657
Net position - end of year	\$ 985,007	\$1,101,179

The notes to the financial statements are an integral part of this statement.

TENNESSEE SPORTS HALL OF FAME
Statements of Cash Flows
For the Years Ended December 31, 2013, and December 31, 2012

	Year Ended December 31, 2013	Year Ended December 31, 2012
Cash flows from operating activities		
Receipts from customers	\$ 189,694	\$ 152,282
Payments to suppliers	(132,685)	(130,987)
Payments to employees	(155,445)	(134,609)
Net cash used by operating activities	(98,436)	(113,314)
Cash flows from noncapital financing activities		
Private gifts for endowment purposes	30,000	10,000
Net cash provided by noncapital financing activities	30,000	10,000
Cash flows from capital and related activities		
Purchases of capital assets	-	(38,677)
Net cash used by capital and related activities	-	(38,677)
Cash flows from investing activities		
Interest received	592	1,361
Investment purchases	(1,098,413)	(1,127,365)
Proceeds from maturities of investments	1,097,978	1,156,281
Net cash provided by investing activities	157	30,277
Net decrease in cash	(68,279)	(111,714)
Cash - beginning of year	173,586	285,300
Cash - end of year	\$ 105,307	\$ 173,586

Reconciliation of operating loss to

net cash used by operating activities:

Operating loss	\$(146,706)	\$(137,488)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	51,099	53,104
Changes in assets and liabilities:		
Receivables, net	(1,825)	607
Inventory	288	288
Prepaid expenses	(720)	(194)
Accounts payable	(1,522)	(2,731)
Unearned revenue	950	(26,900)
Net cash used by operating activities	\$ (98,436)	\$ (113,314)

The notes to the financial statements are an integral part of this statement.

TENNESSEE SPORTS HALL OF FAME
Notes to the Financial Statements
December 31, 2013, and December 31, 2012

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tennessee Sports Hall of Fame is a nonprofit corporation exempt from federal income tax under the provisions of Section 501(c)(3) of the *Internal Revenue Code*. The Tennessee Sports Hall of Fame was founded in the 1960s to honor the outstanding achievements of Tennesseans in the realm of sports. With Title 4, Chapter 3, *Tennessee Code Annotated*, the General Assembly passed the Tennessee Sports Hall of Fame Act of 1994 to officially create a Tennessee Sports Hall of Fame. Its purpose, stated in Section 4-3-5404, is “to honor, preserve, and perpetuate the names and accomplishments of outstanding Tennessee athletes, athletic teams, and other sports personalities ... 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] 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 served as an ex officio member of the board during calendar year 2013. In 2014, through Public Chapter 685, the Secretary of State or a designee will replace the State Treasurer.

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*. That report is available on the state’s website at www.tn.gov/finance/act/cafr.shtml.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

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.

The Tennessee Sports Hall of Fame distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. The principal operating revenues are contributions and revenue from fund-raising events. Operating expenses include general and administrative, hall of fame museum, and fund-raising expenses. Any revenues and expenses not meeting this definition would be reported as nonoperating revenues and expenses.

Notes to the Financial Statements (Continued)

When both restricted and unrestricted resources are available for use, generally it is the Tennessee Sports Hall of Fame's policy to use the restricted resources first.

Capital Assets

Capital assets are composed of museum exhibits, which are reported net of accumulated depreciation and include improvements costing in excess of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. 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 years for all other exhibit assets. Depreciation expense is included within the hall of fame museum line item on the Statements of Revenues, Expenses, and Changes in Net Position.

Museum exhibits include multi-media equipment, display cases, design, fabrication and installation, and arena build-out. Generally, the artifacts exhibited in the museum are owned by and on loan from the Tennessee State Museum.

Inventory

Inventory consists of inductee medallions and is valued at cost.

Contributed Services

The Tennessee Sports Hall of Fame receives contributed services. Under GASB pronouncements, the Tennessee Sports Hall of Fame is not required to recognize contributed services in the financial statements. Contributed services are not reflected in the Statements of Revenues, Expenses, and Changes in Net Position. However, certain contributed services could represent significant expenses that may be incurred should the donation of services not be received in a subsequent period.

Note 2. Deposits and Investments

Cash includes demand deposits in the bank and an account with the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the State Pooled Investment Fund. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov.

Investments include certificates of deposit with maturities of more than 90 days and are reported at cost. Investments at December 31, 2013, had maturities of 182 days and returns of .06%. Investments at December 31, 2012, had maturities of 182 days and returns ranging from .08% to .15%.

The bank balances of deposits and investments, including accrued interest, are in financial institutions that 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

Notes to the Financial Statements (Continued)

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.

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Museum exhibits	\$ 1,518,765	\$ -	\$ -	\$ 1,518,765
Less accumulated depreciation	<u>(1,002,703)</u>	<u>(51,099)</u>	<u>-</u>	<u>(1,053,802)</u>
Total capital assets, net of depreciation	<u>\$ 516,062</u>	<u>\$ (51,099)</u>	<u>\$ -</u>	<u>\$ 464,963</u>

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Museum exhibits	\$ 1,500,497	\$ 22,818	\$ (4,550)	\$ 1,518,765
Less accumulated depreciation	<u>(954,149)</u>	<u>(53,104)</u>	<u>4,550</u>	<u>(1,002,703)</u>
Total capital assets, net of depreciation	<u>\$ 546,348</u>	<u>\$ (30,286)</u>	<u>\$ -</u>	<u>\$ 516,062</u>

Note 4. Risk Management

The Tennessee Sports Hall of Fame is exposed to various risks of loss related to general liability; flood, fire, and other disasters, including terrorist acts, with respect to its office and museum space; and errors and omissions. The Tennessee Sports Hall of Fame has purchased commercial insurance for these risks. There have been no claims filed with the commercial insurer in the past three years.

Notes to the Financial Statements (Continued)

Note 5. Endowment

The Jeff Byrd Memorial Scholarship Endowment Fund was established to award a scholarship annually to a college junior or senior with an interest in sports journalism, sports management, or a related sports field.

If a donor to the endowment fund has not provided specific instructions, state law permits the Tennessee Sports Hall of Fame's board to authorize for expenditure the earnings of the investments of the endowment fund. When administering its power to spend the earnings, the board is required to consider the long- and short-term needs, present and anticipated financial requirements, expected return on its investments, price-level trends, and general economic conditions. Any earnings spent are required to be spent for the purposes for which the endowment was established.

The board plans to spend the investment income when it is deemed sufficient to sustain scholarship awards. At December 31, 2013, investment income of \$60.04 is available to be spent, all of which is included in restricted net position expendable for scholarships.

Note 6. Reclassifications

Certain fiscal year 2011 revenue and net position amounts were reclassified to conform to the fiscal year 2012 presentation. These reclassifications did not change the fiscal year 2011 results.

Note 7. Accounting Change

The Tennessee Sports Hall of Fame implemented the Governmental Accounting Standards Board's Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the year ended December 31, 2012. Among other requirements, GASB 63 renames the residual of all other elements in a statement of financial position as net position, rather than net assets.



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

PHONE (615) 401-7897
FAX (615) 532-2765

SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402

**Independent Auditor's 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***

The Honorable Bill Haslam, Governor
Members of the General Assembly
Board of Directors, Tennessee Sports Hall of Fame
Nashville, TN 37203

We have audited the financial statements of the Tennessee Sports Hall of Fame as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Tennessee Sports Hall of Fame's basic financial statements, and have issued our report thereon dated September 16, 2014. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tennessee Sports Hall of Fame'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tennessee Sports Hall of Fame's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tennessee Sports Hall of Fame'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 a 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 Tennessee Sports Hall of Fame's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Deborah V. Loveless, CPA

Director

September 16, 2014