



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

TENNESSEE SPORTS HALL OF FAME

Financial and Compliance Audit Report

For the Year Ended December 31, 2016

Justin P. Wilson, Comptroller



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September 18, 2017

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, 2016. 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

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Audit Report
Tennessee Sports Hall of Fame
For the Year Ended December 31, 2016

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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, 2016

Opinion on the Financial Statements

The opinion on the financial statements is unmodified.

Audit Findings

The audit report contains no findings.



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee Sports Hall of Fame, a related organization of the State of Tennessee, as of and for the years ended December 31, 2016, and December 31, 2015, 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 policies used and the 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, 2016, and December 31, 2015, 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 August 17, 2017, 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
August 17, 2017

TENNESSEE SPORTS HALL OF FAME Management's Discussion and Analysis

The management of the Tennessee Sports Hall of Fame (TSHF) provides this discussion and analysis as an overview of the TSHF's financial activities for the fiscal years ended December 31, 2016, and December 31, 2015, with comparative information presented for fiscal year ended December 31, 2014. 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, 2016, the TSHF had current assets of \$300,000, a decrease of \$88,297, or 22.7%, from \$388,297 at December 31, 2015.
- Total operating revenue for the year ended December 31, 2016, totaled \$229,190, a decrease of \$2,224, or 1%, from \$231,414 for the year ended December 31, 2015.
- Net interest income for the year ended December 31, 2016, totaled \$1,035, an increase of \$577, or 126%, from \$458 for the year ended December 31, 2015. The remaining CDs were liquidated in the first two months of 2016, and funds were placed into the Local Government Investment Pool (LGIP) account because of the higher interest rate being earned.
- An operating loss of \$142,998 was recognized for the year ended December 31, 2016. This was an increase of \$15,771, or 12.4%, from a \$127,227 loss for the year ended December 31, 2015. Excluding depreciation expense, the operating loss was \$89,477 for the year ended December 31, 2016. This was an increase of \$15,771, or 21.4%, from a \$73,706 operating loss for the year ended December 31, 2015.
- Operating expenses for the year ended December 31, 2016, totaled \$372,188, an increase of \$13,547, or 3.8%, from \$358,641 for the year ended December 31, 2015. Excluding depreciation expense, operating expenses for the year ended December 31, 2016, were \$318,667, an increase of \$13,547, or 4.4%, from \$305,120 for the year ended December 31, 2015. The Consumer Price Index (rate of inflation) was 2.1% for the year ended December 31, 2016.

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, 2016, the TSHF had a net position (total assets in excess of total liabilities) of \$524,594, a decrease of \$139,963, or 21.1%, from \$664,557 at December 31, 2015. 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, 2015, represented a decrease of \$201,969, or 23.3%, from \$866,526 at December 31, 2014. The assets of the TSHF consist primarily of cash 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, 2016; December 31, 2015; and December 31, 2014, consisted primarily of unearned revenue. Unearned revenue at December 31, 2016, was \$135,354, a decrease of \$2,000, or 1.5%. Unearned revenue at December 31, 2015, was \$137,354, a decrease of \$1,500, or 1.08%, from \$138,854 at December 31, 2014. 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, 2016, was \$363,742, a decrease of \$53,521, or 12.8%, from \$417,263 at December 31, 2015. The decrease was due to depreciation of \$53,521. Net position – net investment in capital assets at December 31, 2015, was \$417,263, a decrease of \$53,521, or 11.4%, from \$470,784 at December 31, 2014. The decrease was due to depreciation of \$53,521. Net position – restricted for scholarships, nonexpendable at December 31, 2016, was \$0, unchanged from December 31, 2015. Net position – restricted for scholarships, nonexpendable at December 31, 2015, was \$0, a decrease of \$75,000, or 100%, from \$75,000 at December 31, 2014. The decrease was due to the endowment being transferred to a private foundation to maximize earnings. Net position – restricted for museum exhibits at December 31, 2016, was \$13,635, a decrease of \$3,204, or 19%, from \$16,839 at December 31, 2015. Net position – restricted for museum exhibits at December 31, 2015, was \$16,839, unchanged from December 31, 2014.

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

Net Position

	December 31, 2016	December 31, 2015	Percent Change FY 16-FY 15	December 31, 2014	Percent Change FY 15-FY 14
Assets					
Current assets	\$300,000	\$388,297	-23%	\$ 463,990	-16%
Capital assets	363,742	417,263	-13%	470,784	-11%
Other assets	-	-	0%	75,000	-100%
Total assets	663,742	805,560	-18%	1,009,774	-20%
Liabilities					
Current liabilities	139,148	141,003	-1%	143,248	-2%
Net position					
Net investment in capital assets	363,742	417,263	-13%	470,784	-11%
Restricted					
Nonexpendable	-	-	0%	75,000	-100%
Restricted					
Expendable	13,635	16,839	-19%	16,953	<-1%
Unrestricted	147,217	230,455	-36%	303,789	-24%
Total net position	\$524,594	\$664,557	-21%	\$ 866,526	-23%

Analysis of Revenues and Expenses

Revenues consist of contributions, program revenue, fundraising revenue, interest income, and grant revenue. Contributions for fiscal year 2016 increased by \$6,872, or 10.4%, from contributions in 2015. Contributions for fiscal year 2015 decreased by \$5,023, or 7%, from contributions in 2014. Contributions can fluctuate on an annual basis depending on market and economic cycles. Grant revenue for the matching private donation recognized for the year ended December 31, 2016, was \$2,000, an increase of \$2,000, or 100%, from \$0 for the year ended December 31, 2015. There was no grant revenue received for the matching private donations for the years ended December 31, 2015, or December 31, 2014.

Fundraising revenue in fiscal year 2016 decreased by \$10,715, or 20.5%, from fiscal year 2015. Fundraising revenue in fiscal year 2015 increased by \$12,765, or 32.3%, from fiscal year 2014. Fundraising revenue consisted solely of the annual golf tournament for the years ended December 31, 2015, and December 31, 2014. In 2016, an additional fundraiser was added in Knoxville. Interest income for fiscal year 2016 totaled \$1,035, an increase of \$577, or 126%, from fiscal year 2015. Interest income for fiscal year 2015 totaled \$458, an increase of \$41 from fiscal year 2014.

Total operating expenses for the year ended December 31, 2016, were \$372,188, an increase of \$13,547, or 3.8%, from \$358,641 for the year ended December 31, 2015. Total operating expenses for the year ended December 31, 2015, were \$358,641 a decrease of \$924, or 0.3%, from \$359,565 for the year ended December 31, 2014. The chief expense items in total operating expenses include depreciation expense related to museum exhibits of \$53,521 in 2016, \$53,521 in 2015, and \$52,854 in 2014; and salary expense of \$157,555, \$151,607, and \$148,950 in fiscal years 2016, 2015, and 2014, 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, 2016	Year Ended December 31, 2015	Percent Change FY 16-FY 15	Year Ended December 31, 2014	Percent Change FY 15-FY 14
Operating revenues					
Membership dues	\$ 50	\$ 5,875	-99%	\$ 3,050	93%
Banquet revenue	109,302	103,406	6%	101,610	2%
Golf tournament	28,835	52,360	-45%	39,595	32%
Knoxville fundraiser	12,810	-	-	-	0%
Contributions	73,256	66,384	10%	71,407	-7%
Museum ticket sales	4,937	3,389	46%	15,005	-77%
Total operating revenues	229,190	231,414	-1%	230,667	<1%
Operating expenses					
Banquet	79,846	82,640	-3%	74,119	11%
General and administrative	203,150	196,213	4%	193,734	1%
Golf tournament	12,489	13,507	-8%	15,420	-12%
Knoxville fundraiser	8,341	-	-	-	0%
Hall of Fame museum	68,362	66,281	3%	76,292	-13%
Total operating expenses	372,188	358,641	4%	359,565	<-1%
Operating loss	(142,998)	(127,227)	12%	(128,898)	-1%
Nonoperating revenues					
Gifts received for scholarship fund	10,000	-	-	-	0%
Interest income	1,035	458	126%	417	10%
Grant revenue	2,000	-	-	-	0%
Net nonoperating revenues	13,035	458	2,746%	417	10%
Nonoperating expenses					
Transfer of scholarship account	-	85,200	100%	-	-
Gifts to scholarship fund	10,000	-	-	-	0%
Net nonoperating expense	10,000	85,200	-88%	-	100%
Loss before other revenues	(139,963)	(211,969)	-34%	(128,481)	65%
Additions to permanent	-	10,000	100%	10,000	0%
Decrease in net position	(139,963)	(201,969)	-31%	(118,481)	70%
Total net position, January 1	664,557	866,526	-23%	985,007	-12%
Total net position, December 31	\$524,594	\$664,557	-21%	\$866,526	-23%

Economic Factors, Funding, and Overall Outlook

The economic outlook for the TSHF for the foreseeable future is bleak. Although the country's economic downturn in 2008 has had a negative impact on most entities, the TSHF has not been able to recover. The Federal Reserve lowered interest rates to a historically low level in December 2008, with minimal changes since, and this affected the investment portfolio for the TSHF, so the decision was made to move all CD investments to the LGIP, which has increased interest income. Interest rates are forecast to remain low, so the funds will remain in the LGIP account. The modest amount of interest income earned on LGIP funds cannot, however, bridge the gap between operating revenues and operating expenses.

Although there was a continued small increase in total operating revenues, there was a larger increase in operating expenses. Net position continues to decrease as it is used to cover operating expenses of the TSHF. If conditions continue, the net position of the TSHF is not expected to be adequate to sustain the current expenses for more than one to two years.

The financial condition for 2016 was fairly consistent with that of the prior year. Although interest rates remain low, by redeeming the remaining CDs and placing the funds in the LGIP account, interest income increased over the 2015 level. Some highlights for 2016 were: there was an increase in banquet revenue as well as a decrease in banquet expenditures; the TSHF received more in contributions and museum ticket sales; and total operating revenues continued to increase. These highlights are overshadowed by the fact that the golf tournament revenue decreased significantly and total expenses continue 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, 2016, and December 31, 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Assets		
Current assets:		
Cash (Note 2)	\$297,400	\$286,303
Investments (Note 2)	-	99,812
Receivables	1,735	907
Interest income receivable	-	22
Inventory	865	1,153
Prepaid expenses	-	100
Total current assets	300,000	388,297
Noncurrent assets		
Capital assets, net (Note 3)	363,742	417,263
Total noncurrent assets	363,742	417,263
Total assets	663,742	805,560
Liabilities		
Current liabilities		
Accounts payable	3,794	3,649
Unearned revenue (Note 6)	135,354	137,354
Total liabilities	139,148	141,003
Net position		
Net investment in capital assets	363,742	417,263
Restricted for:		
Expendable:		
Museum improvements	13,635	16,839
Unrestricted	147,217	230,455
Total net position	\$524,594	\$664,557

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, 2016, and December 31, 2015

	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating revenues		
Membership dues	\$ 50	\$ 5,875
Banquet revenue	109,302	103,406
Golf tournament	28,835	52,360
Knoxville fundraiser	12,810	-
Contributions	73,256	66,384
Museum ticket sales	4,937	3,389
Total operating revenues	229,190	231,414
Operating expenses		
Banquet	79,846	82,640
General and administrative	203,150	196,213
Golf tournament	12,489	13,507
Knoxville fundraiser	8,341	-
Hall of Fame museum	68,362	66,281
Total operating expenses	372,188	358,641
Operating loss	(142,998)	(127,227)
Nonoperating revenues		
Gifts received for scholarship fund	10,000	-
Interest income	1,035	458
Grant revenue	2,000	-
Total nonoperating revenues	13,035	458
Nonoperating expenses		
Transfer of scholarship account	-	85,200
Gifts to scholarship fund	10,000	-
Loss before other revenues	(139,963)	(211,969)
Additions to permanent endowment	-	10,000
Decrease in net position	(139,963)	(201,969)
Net position - beginning of year	664,557	866,526
Net position - end of year	\$524,594	\$664,557

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, 2016, and December 31, 2015

	Year Ended December 31, 2016	Year Ended December 31, 2015
Cash flows from operating activities		
Receipts from customers	\$228,361	\$232,363
Payments to suppliers	(141,466)	(129,569)
Payments to employees	(176,668)	(171,108)
Net cash used by operating activities	(89,773)	(68,314)
Cash flows from noncapital financing activities		
Gifts received for scholarship fund	10,000	10,000
Gifts paid to scholarship fund	(10,000)	(85,200)
Net cash used by noncapital financing activities	0	(75,200)
Cash flows from investing activities		
Interest received	1,058	484
Investment purchases	-	(270,611)
Proceeds from maturities of investments	99,812	555,580
Net cash provided by investing activities	100,870	285,453
Net increase in cash	11,097	141,939
Cash - beginning of year	286,303	144,364
Cash - end of year	\$297,400	\$286,303
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$(142,998)	\$(127,227)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	53,521	53,521
Change in assets and liabilities:		
Receivables, net	(829)	2,449
Inventory	288	288
Prepaid expenses	100	4,900
Accounts payable	145	(745)
Unearned revenue	-	(1,500)
Net cash used by operating activities	\$ (89,773)	\$ (68,314)

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, 2016, and December 31, 2015

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tennessee Sports Hall of Fame (TSHF) is a nonprofit corporation exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The TSHF 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 and is composed of 25 Tennessee citizens: 8 appointed by the Governor, 8 appointed by the Lieutenant Governor, and 8 appointed by the Speaker of the House. The State Treasurer or his designee originally served as an ex-officio member of the board. In 2014, through Public Chapter 685, the Secretary of State or his designee replaced the State Treasurer.

The TSHF 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 <http://tn.gov/finance/article/fa-accfin-cafr>.

Basis of Presentation

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

Measurement Focus and Basis of Accounting

The accompanying financial statements of the TSHF 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 TSHF 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

Notes to the Financial Statements (Continued)

reported as nonoperating revenues and expenses. Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, generally it is the TSHF'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 TSHF receives contributed services. Under GASB pronouncements, the TSHF 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, and measured at amortized cost. The LGIP is part of the State Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hour notification period for withdrawals of \$5 million or more. 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

Notes to the Financial Statements (Continued)

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. There were no investments at December 31, 2016. Investments at December 31, 2015, had maturities of 182 days and a return of 0.06%.

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.

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Museum exhibits	\$1,577,440	\$ -	\$ -	\$1,577,440
Less accumulated depreciation	(1,160,177)	(53,521)	-	(1,213,698)
<u>Total capital assets, net of depreciation</u>	<u>\$ 417,263</u>	<u>\$(53,521)</u>	<u>\$ -</u>	<u>\$ 363,742</u>

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Museum exhibits	\$1,577,440	\$ -	\$ -	\$1,577,440
Less accumulated depreciation	(1,106,656)	(53,521)	-	(1,160,177)
<u>Total capital assets, net of depreciation</u>	<u>\$ 470,784</u>	<u>\$(53,521)</u>	<u>\$ -</u>	<u>\$ 417,263</u>

Notes to the Financial Statements (Continued)

Note 4. Risk Management

The TSHF 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 TSHF has purchased commercial insurance for these risks. There have been no claims filed with the commercial insurer in the past three years.

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.

During 2015, the Endowment Fund was transferred to the East Tennessee Foundation at the request of the donors to the endowment. Donations received in 2016 for this fund were also transferred to the foundation.

Note 6. Matching Grant

In 2007, the State of Tennessee provided for a one-time direct appropriation grant in the amount of \$250,000 to the TSHF 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 2016, \$2,000 was received in matching donations, and \$7,203.68 was spent on improvements and additions to the museum from funds released by previous matching donations. In 2015, nothing was received in donations toward the grant, and none of the grant funds were spent. Grant funds that have not yet been matched are reported as unearned revenue; unspent grant and matching funds are reported as restricted - expendable.

Note 7. Declining Net Position

Because of a continuing trend of decreases in unrestricted net position, there have been discussions as to whether the TSHF would be able to continue as a going concern for more than 18 to 24 months. Unrestricted net position decreased by \$83,238 from \$230,455 at January 1, 2016, to \$147,217 at December 31, 2016; and decreased \$73,334 from \$303,789 at January 1, 2015, to \$230,455 at December 31, 2015. If this trend continues, the December 31, 2016, unrestricted net position amount of \$147,217 will be depleted before the end of 2018.

A commitment for a 2017 donation in the amount of \$150,000 from a new corporate sponsor should minimize the shortfall in 2017 revenues. Management expects the first installment of the donation to be received in September of 2017, with the rest to be received before the end of the year. Management plans to mitigate the future possibility of depleting the unrestricted net

Notes to the Financial Statements (Continued)

position by taking the following additional steps: (1) implement and track a new fundraising plan which could increase donations significantly over time, (2) add a new fundraising event, (3) recruit additional corporate sponsors, (4) gather additional support from the Nashville community, and (5) request funding from the State of Tennessee.



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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

We have audited the financial statements of the Tennessee Sports Hall of Fame (TSHF) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the TSHF's basic financial statements, and have issued our report thereon dated August 17, 2017. 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 TSHF'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 TSHF's internal control. Accordingly, we do not express an opinion on the effectiveness of the TSHF'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.

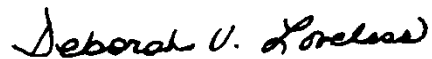
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 TSHF'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
August 17, 2017