

AUDIT REPORT

Tennessee Sports Hall of Fame

**For the Year Ended
December 31, 2010**



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Department of Audit
Division of State Audit**



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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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October 25, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
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, 2010. 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 and tests of compliance resulted in no audit findings.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/amf
11/060

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, 2010

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, or grant agreements; 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 Report
Tennessee Sports Hall of Fame
For the Year Ended December 31, 2010

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Tennessee Sports Hall of Fame For the Year Ended December 31, 2010

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.”

BACKGROUND

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, 2010, through December 31, 2010, 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 generally accepted government auditing standards. Financial statements are presented for the year ended December 31, 2010, and for comparative purposes, the year ended December 31, 2009.

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 as a basis for designing auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, or grant agreements;
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.

OBSERVATIONS AND COMMENTS

MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT

Auditors and management are required to assess the risk of fraud in the operations of the entity. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to the transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the entity is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the entity.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. It is management's responsibility to design, implement, and monitor effective controls in the entity. Although internal and external auditors may include testing of controls as part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of

management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left up to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the control after the auditors have left the field.

The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic. The assessment and the controls should be reviewed and approved by the head of the entity.

FRAUD CONSIDERATIONS

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, promulgated by the American Institute of Certified Public Accountants requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

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, 2010, we considered internal control over financial reporting as a basis for designing 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 generally accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance and Other Matters

The results of our audit tests disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards.

Fairness of Financial Statement Presentation

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



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DIVISION OF STATE AUDIT
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**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***

October 17, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Board of Directors
Tennessee Sports Hall of Fame
Nashville, Tennessee 37203

Ladies and Gentlemen:

We have audited the financial statements of the Tennessee Sports Hall of Fame as of and for the year ended December 31, 2010, and have issued our report thereon dated October 17, 2011. 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 generally accepted government auditing standards.

Internal Control Over Financial Reporting

Management of the Tennessee Sports Hall of Fame is responsible for establishing and maintaining effective 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tennessee Sports Hall of Fame's internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of the Tennessee Sports Hall of Fame's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tennessee Sports Hall of Fame's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, or 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 generally accepted government auditing standards.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, the board of directors, management, and others within the entity 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, appearing to read "Arthur A. Hayes, Jr.", written in a cursive style.

Arthur A. Hayes, Jr., CPA
Director

AAH/amf



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Independent Auditor's Report

October 17, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Board of Directors
Tennessee Sports Hall of Fame
Nashville, Tennessee 37203

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Sports Hall of Fame as of December 31, 2010, and December 31, 2009, and the related statements of revenues, expenses, and changes in net assets 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 generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

October 17, 2011

Page Two

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, 2010, and December 31, 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 9 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with generally accepted government auditing standards, we have also issued our report dated October 17, 2011, 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, or 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing 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 prominent initial "A".

Arthur A. Hayes, Jr., CPA
Director

AAH/amf

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, 2010, and December 31, 2009. 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, 2010, the TSHF had Current Assets of \$959,764, a decrease of \$73,338, or 7.1%, from \$1,033,102 at December 31, 2009.
- Contributions for the year ended December 31, 2010, totaled \$55,075, a decrease of \$6,484, or 10.5%, from \$61,559 for the year ended December 31, 2009.
- Net investment income for the year ended December 31, 2010, totaled \$2,671, a decrease of \$7,333, or 73.3%, from \$10,004 for the year ended December 31, 2009. Market conditions have resulted in a simple average return to the TSHF portfolio of .30% during fiscal year 2010. The 6-month Average Treasury Bill Rate for 2010 was .19%.
- An Operating Loss of \$119,317 was recognized for the year ended December 31, 2010. This was a decrease of \$11,746, or 9.0%, from a \$131,063 loss for the year ended December 31, 2009. Excluding depreciation expense, the operating loss was \$71,293 for the year ended December 31, 2010. This was an increase of \$14,432, or 25.4%, from a \$56,861 operating loss for the year ended December 31, 2009.
- Operating Expenses for the year ended December 31, 2010, totaled \$261,060, a decrease of \$18,085, or 6.5%, from \$279,145 for the year ended December 31, 2009. Excluding depreciation expense, operating expenses for the year ended December 31, 2010, were \$213,036, an increase of \$8,093, or 3.9%, from \$204,943 for the year ended December 31, 2009. The increase in the Consumer Price Index (Rate of Inflation) was 1.6% for the 12 months ended December 31, 2010.
- 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 2010, \$3,825 was received in donations towards the grant, and \$7,542 was spent on improvements and additions to the museum. In 2009, \$8,359 was received in donations towards the grant, and \$11,801 was spent on improvements and additions to the museum.

Tennessee Sports Hall of Fame Management's Discussion and Analysis (Cont.)

OVERVIEW OF THE FINANCIAL STATEMENTS

The TSHF's financial statements consist of the *Statements of Net Assets*; the *Statements of Revenues, Expenses, and Changes in Net Assets*; 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 Assets* and the *Statements of Revenues, Expenses, and Changes in Net Assets* report information about the TSHF's Net Assets (total assets in excess of total liabilities) as of the end of the fiscal year and the changes in those net assets 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 Assets* 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 Assets* provide information on the activities that caused the financial position to change during the fiscal year. Over time, increases or decreases in the Net Assets 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 ASSETS

At December 31, 2010, the TSHF had net assets (total assets in excess of total liabilities) of \$1,322,591, a decrease of \$112,821, or 7.9%, from \$1,435,412 at December 31, 2009. The decrease in net assets was primarily due to receiving fewer contributions and using unrestricted net assets to cover the operating loss. Net assets at December 31, 2009, represented a decrease of \$112,700, or 7.3%, from \$1,548,112 at December 31, 2008. 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, 2010; December 31, 2009; and December 31, 2008, consisted primarily of deferred revenue. Deferred revenue at December 31, 2010, was \$166,696, a decrease of \$7,575, or 4.3%, from \$174,271 at December 31, 2009. Deferred revenue at December 31, 2009, decreased \$8,634, or 4.7%, from \$182,905 at December 31, 2008. Deferred

Tennessee Sports Hall of Fame Management's Discussion and Analysis (Cont.)

revenue is decreased and grant revenue is recognized when private donations for the grant are received.

Net assets—invested in capital assets at December 31, 2010, was \$532,118, a decrease of \$48,024, or 8.3%, from \$580,142 at December 31, 2009. The decrease was due to depreciation of museum exhibits. Net assets—invested in capital assets at December 31, 2009, decreased \$67,953, or 10.5%, from \$648,095 at December 31, 2008, due to a \$6,249 capital assets purchase and depreciation of \$74,202. Net assets—restricted for museum improvements at December 31, 2010, was \$166,612, an increase of \$108, or 0.06%, from \$166,504 at December 31, 2009. Net assets—restricted for museum improvements at December 31, 2009, increased by \$4,917, or 3.0%, from \$161,587 at December 31, 2008. This increase was due to grant revenue earned and private donations received that have not been spent and are restricted.

Condensed financial information comparing the TSHF's Assets, Liabilities, and Net Assets for the past three fiscal years follows.

	Net Assets				
	December 31, 2010	December 31, 2009	Percent Change FY 10-FY 09	December 31, 2008	Percent Change FY 09-FY 08
Assets					
Current assets	\$ 959,764	\$ 1,033,102	-7%	\$ 1,084,406	-5%
Capital assets	<u>532,118</u>	<u>580,142</u>	-8%	<u>648,095</u>	-10%
Total assets	<u>1,491,882</u>	<u>1,613,244</u>	-8%	<u>1,732,501</u>	-7%
Liabilities					
Current liabilities	<u>169,291</u>	<u>177,832</u>	-5%	<u>184,389</u>	-4%
Net assets					
Invested in capital assets	532,118	580,142	-8%	648,095	-10%
Restricted	166,612	166,504	<1%	161,587	3%
Unrestricted	<u>623,861</u>	<u>688,766</u>	-9%	<u>738,430</u>	-7%
Total net assets	<u>\$ 1,322,591</u>	<u>\$ 1,435,412</u>	-8%	<u>\$ 1,548,112</u>	-7%

ANALYSIS OF REVENUES AND EXPENSES

Revenues consist of contributions, program revenue, fundraising revenue, investment income, and grant revenue. Contributions for fiscal year 2010 decreased by \$6,484, or 10.5%, from contributions in 2009 due to some lower sponsorship amounts and a decrease in private donations received for the grant. Contributions for fiscal year 2009 decreased by \$79,111, or

Tennessee Sports Hall of Fame Management's Discussion and Analysis (Cont.)

56.2%, from contributions in 2008 due to the loss of a major sponsor and much less private donations received for the matching grant. Contributions can fluctuate on an annual basis depending on market and economic cycles. Grant revenue for the matching private donations recognized for the year ended December 31, 2010, was \$3,825, a decrease of \$4,534, or 54.2%, from \$8,359 for the year ended December 31, 2009. Grant revenue for the matching private donations recognized for the year ended December 31, 2009, decreased by \$79,761, or 90.5%, from \$88,120 for the year ended December 31, 2008.

Overall 2010 program revenues increased a total of \$1,585, or 2.4%, from 2009 due to an increase in ticket sales at the annual induction banquet. All 2009 program revenues increased a total of \$4,782, or 7.8%, from fiscal year 2008 due mostly to more attendance at the annual induction banquet. Program revenues consist of membership dues, museum tickets and rentals, and the induction banquet. Fundraising revenue in fiscal year 2010 decreased by \$1,440, or 7.0%, from fiscal year 2009 due to less participation in the annual golf tournament. Fundraising revenue in fiscal year 2009 increased by \$4,635, or 29.2%, from 2008 due to more participation in the annual golf tournament. Fundraising revenue consists solely of the annual golf tournament. Investment income for fiscal year 2010 totaled \$2,671, a decrease of \$7,333 from fiscal year 2009 due to lower interest rates. Fiscal year 2009 investment income was down \$13,671 from fiscal year 2008.

Total Operating Expenses for the year ended December 31, 2010, were \$261,060, a decrease of \$18,085, or 6.5%, from \$279,145 for the year ended December 31, 2009. Total operating expenses for the year ended December 31, 2009, decreased \$825, or 0.3%, from \$279,970 for the year ended December 31, 2008. 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 \$48,024 in 2010, \$74,202 in 2009, and \$73,967 in 2008, and salary expense of \$99,495, \$99,099, and \$104,435 in fiscal years 2010, 2009, and 2008, respectively.

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

Changes in Net Assets						
	Year Ended December 31, 2010	Year Ended December 31, 2009	Percent Change FY 10-FY 09	Year Ended December 31, 2008	Percent Change FY 09-FY 08	
Operating revenues						
Membership dues	\$ 4,810	\$ 5,250	-8%	\$ 5,775	-9%	
Banquet revenue	57,875	55,125	5%	46,350	19%	
Golf tournament	19,075	20,515	-7%	15,880	29%	

Tennessee Sports Hall of Fame Management's Discussion and Analysis (Cont.)

Contributions	55,075	61,559	-11%	140,670	-56%
Museum ticket sales	<u>4,908</u>	<u>5,633</u>	-13%	<u>9,101</u>	-38%
Total operating revenues	<u>141,743</u>	<u>148,082</u>	-4%	<u>217,776</u>	-32%
Operating expenses					
Membership	2,912	2,729	7%	2,665	2%
Banquet	57,854	52,348	11%	50,811	3%
General and administrative	114,370	117,582	-3%	122,171	-4%
Golf tournament	14,351	15,624	-8%	15,012	4%
Hall of fame museum	<u>71,573</u>	<u>90,862</u>	-21%	<u>89,311</u>	2%
Total operating expenses	<u>261,060</u>	<u>279,145</u>	-6%	<u>279,970</u>	<-1%
Operating loss	<u>(119,317)</u>	<u>(131,063)</u>	9%	<u>(62,194)</u>	-111%
Nonoperating revenues					
Interest income	2,671	10,004	-73%	23,675	-58%
Grant revenue	<u>3,825</u>	<u>8,359</u>	-54%	<u>88,120</u>	-91%
Total nonoperating revenues	<u>6,496</u>	<u>18,363</u>	-65%	<u>111,795</u>	-84%
Increase (decrease) in net assets	<u>(112,821)</u>	<u>(112,700)</u>	<-1%	<u>49,601</u>	-327%
Total net assets, January 1	<u>1,435,412</u>	<u>1,548,112</u>	-7%	<u>1,498,511</u>	3%
Total net assets, December 31	<u>\$ 1,322,591</u>	<u>\$ 1,435,412</u>	-8%	<u>\$ 1,548,112</u>	-7%

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.

Management continues to strive to minimize spending for the TSHF, and there was overall a decrease in total expenses for fiscal year 2010. Reserves do continue to decrease as they are used to cover operating expenses of the TSHF. If market conditions continue, the reserves of the TSHF are expected to be adequate to sustain the current expense rates for several years.

The financial condition for 2010 was fairly consistent with that of the prior year. Due to low interest rates, interest income continued to decrease; the TSHF received less in contributions this year; and the reserves continued to decrease. Some highlights for 2010 were the TSHF retained all of its corporate sponsors and total operating expenses decreased.

**Tennessee Sports Hall of Fame
Management's Discussion and Analysis (Cont.)**

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, State Treasurer's Office, 502 Deaderick Street, Nashville, Tennessee 37243.

TENNESSEE SPORTS HALL OF FAME
STATEMENTS OF NET ASSETS
DECEMBER 31, 2010, AND DECEMBER 31, 2009

	2010	2009
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents (Note 2)	\$ 268,174	\$ 286,296
Investments (Note 2)	676,061	738,892
Receivables	2,103	551
Inventory	2,596	2,884
Prepaid expenses	10,830	4,479
Total current assets	959,764	1,033,102
Noncurrent assets		
Capital assets (Note 3)		
Museum exhibits	1,436,318	1,436,318
Less accumulated depreciation	(904,200)	(856,176)
Total noncurrent assets	532,118	580,142
Total assets	1,491,882	1,613,244
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	2,595	3,561
Deferred revenue	166,696	174,271
Total liabilities	169,291	177,832
<u>NET ASSETS</u>		
Invested in capital assets	532,118	580,142
Restricted for museum improvements	166,612	166,504
Unrestricted	623,861	688,766
Total net assets	\$ 1,322,591	\$ 1,435,412

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 ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2010, AND DECEMBER 31, 2009

	2010	2009
<u>OPERATING REVENUES</u>		
Membership dues	\$ 4,810	\$ 5,250
Banquet revenue	57,875	55,125
Golf tournament	19,075	20,515
Contributions	55,075	61,559
Museum ticket sales	4,908	5,633
Total operating revenues	<u>141,743</u>	<u>148,082</u>
<u>OPERATING EXPENSES</u>		
Membership	2,912	2,729
Banquet	57,854	52,348
General and administrative	114,370	117,582
Golf tournament	14,351	15,624
Hall of fame museum	71,573	90,862
Total operating expenses	<u>261,060</u>	<u>279,145</u>
Operating loss	<u>(119,317)</u>	<u>(131,063)</u>
<u>NONOPERATING REVENUES</u>		
Interest income	2,671	10,004
Grant revenue	3,825	8,359
Total nonoperating revenues	<u>6,496</u>	<u>18,363</u>
Decrease in net assets	(112,821)	(112,700)
Total net assets, January 1	<u>1,435,412</u>	<u>1,548,112</u>
Total net assets, December 31	<u>\$ 1,322,591</u>	<u>\$ 1,435,412</u>

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, 2010, AND DECEMBER 31, 2009

	2010	2009
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 133,709	\$ 150,504
Payments to suppliers	(119,438)	(103,575)
Payments to employee and contractor	(98,011)	(99,100)
Net cash used by operating activities	<u>(83,740)</u>	<u>(52,171)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</u>		
Purchases of capital assets	-	(6,249)
Net cash used by capital and related activities	<u>-</u>	<u>(6,249)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	2,788	13,770
Investment purchases	(1,376,077)	(1,504,473)
Proceeds from maturities of investments	1,438,907	1,522,627
Net cash provided by investing activities	<u>65,618</u>	<u>31,924</u>
Net decrease in cash and cash equivalents	<u>(18,122)</u>	<u>(26,496)</u>
Cash and cash equivalents, January 1	<u>286,296</u>	<u>312,792</u>
Cash and cash equivalents, December 31	<u>\$ 268,174</u>	<u>\$ 286,296</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>		
Operating loss	\$ (119,317)	\$ (131,063)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	48,024	74,202
(Increase) decrease in accounts receivable	(669)	5,000
(Increase) decrease in inventory	288	(2,884)
(Increase) decrease in prepaid expenses	(6,350)	(228)
Increase (decrease) in accounts payable	(966)	2,077
Increase (decrease) in deferred revenue	(4,750)	725
Net cash used by operating activities	<u>\$ (83,740)</u>	<u>\$ (52,171)</u>

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, 2010, and December 31, 2009**

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 (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*. That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

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 Tennessee Sports Hall of Fame follows all applicable GASB pronouncements, as well as applicable private-sector pronouncements issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the GASB. The Tennessee Sports Hall of Fame has the option of following subsequent private-sector guidance subject to the same limitation, but has elected not to follow subsequent private-sector guidance.

**Tennessee Sports Hall of Fame
Notes to the Financial Statements (Cont.)
December 31, 2010, and December 31, 2009**

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.

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.

Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Capital Assets

Capital assets are comprised 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 Assets.

Inventory

Inventory consists of inductee medallions and is valued at cost.

Tennessee Sports Hall of Fame
Notes to the Financial Statements (Cont.)
December 31, 2010, and December 31, 2009

Contributed Services

The Tennessee Sports Hall of Fame 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 Assets. 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 and cash equivalents include a demand deposit in the bank, certificates of deposit with maturities of 90 days or less, 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.tn.gov/treasury.

Investments include certificates of deposit with maturities of more than 90 days and are reported at cost. Investments at December 31, 2010, had maturities of 180 to 182 days and a return of 0.30%. Investments at December 31, 2009, had maturities of 182 days and ranges of return from .15% to .40%.

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.

**Tennessee Sports Hall of Fame
Notes to the Financial Statements (Cont.)
December 31, 2010, and December 31, 2009**

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Museum exhibits	\$ 1,436,318	\$ -	\$ -	\$ 1,436,318
Less accumulated depreciation	<u>(856,176)</u>	<u>(48,024)</u>	<u>-</u>	<u>(904,200)</u>
Total capital assets, net of depreciation	<u>\$ 580,142</u>	<u>\$ (48,024)</u>	<u>\$ -</u>	<u>\$ 532,118</u>

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Museum exhibits	\$ 1,430,069	\$ 6,249	\$ -	\$ 1,436,318
Less accumulated depreciation	<u>(781,974)</u>	<u>(74,202)</u>	<u>-</u>	<u>(856,176)</u>
Total capital assets, net of depreciation	<u>\$ 648,095</u>	<u>\$ (67,953)</u>	<u>\$ -</u>	<u>\$ 580,142</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.