

# AUDIT REPORT

Tennessee Sports Hall of Fame

For the Year Ended  
December 31, 2011



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY

Department of Audit  
Division of State Audit



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COMPTROLLER OF THE TREASURY  
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January 17, 2013

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, 2011. 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,

Deborah V. Loveless, CPA  
Director

DVL/vn  
12/090

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, 2011

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## **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, 2011**

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**TABLE OF CONTENTS**

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	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTION</b>		1
Post-Audit Authority		1
Background		1
Organization		1
<b>AUDIT SCOPE</b>		1
<b>OBJECTIVES OF THE AUDIT</b>		2
<b>PRIOR AUDIT FINDINGS</b>		2
<b>OBSERVATIONS AND COMMENTS</b>		2
Management's Responsibility for Risk Assessment		2
Fraud Considerations		3
<b>RESULTS OF THE AUDIT</b>		4
Audit Conclusions		4
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>		5
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		7
Management's Discussion and Analysis		9
Basic Financial Statements		
Statements of Net Assets	A	14
Statements of Revenues, Expenses, and Changes in Net Assets	B	15
Statements of Cash Flows	C	16
Notes to the Financial Statements		17

# **Tennessee Sports Hall of Fame For the Year Ended December 31, 2011**

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## **INTRODUCTION**

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### **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*.

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## **AUDIT SCOPE**

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The audit was limited to the period January 1, 2011, through December 31, 2011, 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, 2011, and for comparative purposes, the year ended December 31, 2010.

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## **OBJECTIVES OF THE AUDIT**

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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.

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## **PRIOR AUDIT FINDINGS**

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There were no findings in the prior audit report.

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## **OBSERVATIONS AND COMMENTS**

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### **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.

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## RESULTS OF THE AUDIT

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### 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, 2011, 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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**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***

November 6, 2012

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, 2011, and have issued our report thereon dated November 6, 2012. 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.

We noted a matter that we reported to management of the Tennessee Sports Hall of Fame in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, the board of directors, 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,



Arthur A. Hayes, Jr., CPA  
Director

AAH/vn



STATE OF TENNESSEE  
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DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
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**Independent Auditor's Report**

November 6, 2012

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, 2011, and December 31, 2010, 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.

November 6, 2012

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, 2011, and December 31, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 13 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, who 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 the 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.

In accordance with generally accepted government auditing standards, we have also issued our report dated November 6, 2012, 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, flowing style.

Arthur A. Hayes, Jr., CPA  
Director

AAH/vn

## **Tennessee Sports Hall of Fame Management's Discussion and Analysis**

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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, 2011, and December 31, 2010. 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, 2011, the TSHF had current assets of \$871,921, a decrease of \$87,843, or 9.2%, from \$959,764 at December 31, 2010.
- Total operating revenue for the year ended December 31, 2011, totaled \$193,238, an increase of \$51,495, or 36.3%, from \$141,743 for the year ended December 31, 2010.
- Net investment income for the year ended December 31, 2011, totaled \$2,146, a decrease of \$525, or 19.6%, from \$2,671 for the year ended December 31, 2010. Market conditions have resulted in a simple average return to the TSHF portfolio of .29% during fiscal year 2011. The 6-month Average Treasury Bill Rate for 2011 was .10%.
- An operating loss of \$109,455 was recognized for the year ended December 31, 2011. This was a decrease of \$9,862, or 8.3%, from a \$119,317 loss for the year ended December 31, 2010. Excluding depreciation expense, the operating loss was \$59,506 for the year ended December 31, 2011. This was a decrease of \$11,787, or 16.5%, from a \$71,293 operating loss for the year ended December 31, 2010.
- Operating expenses for the year ended December 31, 2011, totaled \$302,693, an increase of \$41,633, or 15.9%, from \$261,060 for the year ended December 31, 2010. Excluding depreciation expense, operating expenses for the year ended December 31, 2011, were \$252,744, an increase of \$39,708, or 18.6%, from \$213,036 for the year ended December 31, 2010. The Consumer Price Index (Rate of Inflation) was 3.2% for the 12 months ended December 31, 2011.
- In 2007, the State of Tennessee provided 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 2011, \$2,375 was received in donations towards the grant, and \$73,066.87 was spent on improvements and additions to the museum. In 2010, \$3,825 was received in donations towards the grant, and \$7,542 was spent on improvements and additions to the museum.

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

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### **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, 2011, the TSHF had net assets (total assets in excess of total liabilities) of \$1,217,657, a decrease of \$104,934, or 7.9%, from \$1,322,591 at December 31, 2010. The decrease in net assets was primarily due to not receiving as many contributions as needed and using unrestricted net assets to cover the operating loss. Net assets at December 31, 2010, represented a decrease of \$112,821, or 7.9%, from \$1,435,412 at December 31, 2009. 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, 2011; December 31, 2010; and December 31, 2009, consisted primarily of deferred revenue. Deferred revenue at December 31, 2011, was \$177,321, an increase of \$10,625, or 6.4%, from \$166,696 at December 31, 2010. Deferred revenue at December 31, 2010, decreased \$7,575, or 4.3%, from \$174,271 at December 31, 2009. Deferred revenue is decreased and grant revenue is recognized when private donations for the grant are received.

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

Net assets - invested in capital assets at December 31, 2011, was \$546,348, an increase of \$14,230, or 2.7%, from \$532,118 at December 31, 2010. The increase was due to capital asset purchases of \$64,179 and depreciation of \$49,949. Net assets - invested in capital assets at December 31, 2010, decreased \$48,024, or 8.3%, from \$580,142 at December 31, 2009, due to depreciation of museum exhibits. Net assets - restricted for museum improvements at December 31, 2011, was \$98,295, a decrease of \$68,317, or 41.0%, from \$166,612 at December 31, 2010, due to an increase in improvements and additions made at the TSHF. Net assets - restricted other was \$25,000 at December 31, 2011, an increase of \$25,000 from a zero balance at December 31, 2010, because of a donation for a scholarship in 2011.

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

### Net Assets

	December 31, 2011	December 31, 2010	Percent Change FY 11-FY 10	December 31, 2009	Percent Change FY 10-FY 09
<b>Assets</b>					
Current assets	\$ 871,921	\$ 959,764	-9%	\$ 1,033,102	-7%
Capital assets	<u>546,348</u>	<u>532,118</u>	3%	<u>580,142</u>	-8%
Total assets	<u>1,418,269</u>	<u>1,491,882</u>	-5%	<u>1,613,244</u>	-8%
<b>Liabilities</b>					
Current liabilities	<u>200,612</u>	<u>169,291</u>	19%	<u>177,832</u>	-5%
<b>Net assets</b>					
Invested in capital assets	546,348	532,118	3%	580,142	-8%
Restricted	123,295	166,612	-26%	166,504	<1%
Unrestricted	<u>548,014</u>	<u>623,861</u>	-12%	<u>688,766</u>	-9%
Total net assets	<u>\$ 1,217,657</u>	<u>\$ 1,322,591</u>	-8%	<u>\$ 1,435,412</u>	-8%

### ANALYSIS OF REVENUES AND EXPENSES

Revenues consist of contributions, program revenue, fundraising revenue, investment income, and grant revenue. Contributions for fiscal year 2011 increased by \$27,942, or 111.9%, from contributions in 2010 due mostly to funds received for the scholarship. Contributions for fiscal year 2010 decreased by \$4,984, or 16.6%, from contributions in 2009 due to the decrease in major sponsorships and 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, 2011, was \$2,375, a decrease of \$1,450, or 37.9%, from \$3,825 for the year ended December 31, 2010. Grant

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

revenue for the matching private donations recognized for the year ended December 31, 2010, decreased by \$4,534, or 54.2%, from \$8,359 for the year ended December 31, 2009.

Fundraising revenue in fiscal year 2011 increased by \$22,880, or 64.1%, from fiscal year 2010 due to more participation and sponsorships in the annual golf tournament. Fundraising revenue in fiscal year 2010 decreased by \$1,440, or 3.9%, from 2009 due to less participation in the annual golf tournament. Fundraising revenue consists solely of the annual golf tournament. Investment income for fiscal year 2011 totaled \$2,146, a decrease of \$525 from fiscal year 2010. Fiscal year 2010 investment income was down \$7,333 from fiscal year 2009 due to lower interest rates.

Total operating expenses for the year ended December 31, 2011, were \$302,693, an increase of \$41,633, or 15.9%, from \$261,060 for the year ended December 31, 2010. Total operating expenses for the year ended December 31, 2010, decreased \$18,085, or 6.5%, from \$279,145 for the year ended December 31, 2009. 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 \$49,949 in 2011, \$48,024 in 2010, and \$74,202 in 2009, and salary expense of \$106,502, \$99,495, and \$99,099 in fiscal years 2011, 2010, and 2009, 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, 2011	Year Ended December 31, 2010	Percent Change FY 11-FY 10	Year Ended December 31, 2009	Percent Change FY 10-FY 09
<b>Operating revenues</b>					
Membership dues	\$ 2,925	\$ 4,810	-39%	\$ 5,250	-8%
Banquet revenue	74,025	71,375	4%	70,125	2%
Golf tournament	58,555	35,675	64%	37,115	-4%
Contributions	52,917	24,975	112%	29,959	-17%
Museum ticket sales	<u>4,816</u>	<u>4,908</u>	-2%	<u>5,633</u>	-13%
Total operating revenues	<u>193,238</u>	<u>141,743</u>	36%	<u>148,082</u>	-4%
<b>Operating expenses</b>					
Membership	312	2,912	-89%	2,729	7%
Banquet	65,860	57,854	14%	52,348	11%
General and administrative	133,548	114,370	17%	117,582	-3%
Golf tournament	12,300	14,351	-14%	15,624	-8%
Hall of fame museum	<u>90,673</u>	<u>71,573</u>	27%	<u>90,862</u>	-21%
Total operating expenses	<u>302,693</u>	<u>261,060</u>	16%	<u>279,145</u>	-6%

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

Operating loss	(109,455)	(119,317)	-8%	(131,063)	-9%
<b>Nonoperating revenues</b>					
Interest income	2,146	2,671	-20%	10,004	-73%
Grant revenue	<u>2,375</u>	<u>3,825</u>	-38%	<u>8,359</u>	-54%
Total nonoperating revenues	<u>4,521</u>	<u>6,496</u>	-30%	<u>18,363</u>	-65%
Increase (decrease) in net assets	<u>(104,934)</u>	<u>(112,821)</u>	-7%	<u>(112,700)</u>	<1%
Total net assets, January 1	<u>1,322,591</u>	<u>1,435,412</u>	-8%	<u>1,548,112</u>	-7%
Total net assets, December 31	<u>\$ 1,217,657</u>	<u>\$ 1,322,591</u>	-8%	<u>\$ 1,435,412</u>	-8%

### 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 an overall increase in total operating expenses for the year. The Tennessee Sports Hall of Fame began an extensive remodel of the museum during the year, which lead to an increase in museum expenses and the use of restricted net assets. The TSHF also focused on gaining additional sponsorships and contributions, which increased expenses. The TSHF expects to see more progress from these efforts in the coming year. Net assets continue to decrease as they are used to cover operating expenses of the TSHF. If market conditions continue, the net assets of the TSHF are expected to be adequate to sustain the current expense rates for several years.

The financial condition for 2011 was fairly consistent with that of the prior year. Due to continued low interest rates, interest income was essentially the same as 2010; the TSHF did receive more in contributions this year. Some highlights for 2011 were the golf tournament was a great success with its highest revenue yet by far, and revenue from the banquet was higher than in past years.

### 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, 2011, AND DECEMBER 31, 2010

	2011	2010
<b><u>ASSETS</u></b>		
Current assets		
Cash (Note 2)	\$ 285,300	\$ 268,174
Investments (Note 2)	577,778	676,061
Receivables	1,245	2,103
Inventory	2,307	2,596
Prepaid expenses	5,291	10,830
Total current assets	871,921	959,764
Noncurrent assets		
Capital assets (Note 3)		
Museum exhibits	1,500,497	1,436,318
Less accumulated depreciation	(954,149)	(904,200)
Total noncurrent assets	546,348	532,118
Total assets	1,418,269	1,491,882
<b><u>LIABILITIES</u></b>		
Current liabilities		
Accounts payable	23,291	2,595
Deferred revenue	177,321	166,696
Total liabilities	200,612	169,291
<b><u>NET ASSETS</u></b>		
Invested in capital assets	546,348	532,118
Restricted - museum improvements	98,295	166,612
Restricted - other	25,000	-
Unrestricted	548,014	623,861
Total net assets	\$ 1,217,657	\$ 1,322,591

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, 2011, AND DECEMBER 31, 2010

	2011	2010
<u>OPERATING REVENUES</u>		
Membership dues	\$ 2,925	\$ 4,810
Banquet revenue	74,025	71,375
Golf tournament	58,555	35,675
Contributions	52,917	24,975
Museum ticket sales	4,816	4,908
Total operating revenues	<u>193,238</u>	<u>141,743</u>
<u>OPERATING EXPENSES</u>		
Membership	312	2,912
Banquet	65,860	57,854
General and administrative	133,548	114,370
Golf tournament	12,300	14,351
Hall of fame museum	90,673	71,573
Total operating expenses	<u>302,693</u>	<u>261,060</u>
Operating loss	<u>(109,455)</u>	<u>(119,317)</u>
<u>NONOPERATING REVENUES</u>		
Interest income	2,146	2,671
Grant revenue	2,375	3,825
Total nonoperating revenues	<u>4,521</u>	<u>6,496</u>
Decrease in net assets	(104,934)	(112,821)
Total net assets, January 1	<u>1,322,591</u>	<u>1,435,412</u>
Total net assets, December 31	<u>\$ 1,217,657</u>	<u>\$ 1,322,591</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, 2011, AND DECEMBER 31, 2010

	<u>2011</u>	<u>2010</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers	\$ 204,501	\$ 133,709
Payments to suppliers	(133,385)	(119,438)
Payments to employee and contractor	(106,066)	(98,011)
Net cash used by operating activities	<u>(34,950)</u>	<u>(83,740)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</u></b>		
Purchases of capital assets	(48,320)	-
Net cash used by capital and related activities	<u>(48,320)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest received	2,113	2,788
Investment purchases	(1,169,674)	(1,376,077)
Proceeds from maturities of investments	1,267,957	1,438,907
Net cash provided by investing activities	<u>100,396</u>	<u>65,618</u>
Net increase (decrease) in cash	<u>17,126</u>	<u>(18,122)</u>
Cash, January 1	<u>268,174</u>	<u>286,296</u>
Cash, December 31	<u>\$ 285,300</u>	<u>\$ 268,174</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET</u></b>		
<b><u>CASH USED BY OPERATING ACTIVITIES</u></b>		
Operating loss	\$ (109,455)	\$ (119,317)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	49,949	48,024
Increase in accounts receivable	(108)	(669)
Decrease in inventory	288	288
(Increase) decrease in prepaid expenses	5,539	(6,350)
Increase (decrease) in accounts payable	4,837	(966)
Increase (decrease) in deferred revenue	14,000	(4,750)
Net cash used by operating activities	<u>\$ (34,950)</u>	<u>\$ (83,740)</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, 2011, and December 31, 2010**

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**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 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.shtml](http://www.tn.gov/finance/act/cafr.shtml).

**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, 2011, and December 31, 2010**

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**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.

**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.

**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.

**Tennessee Sports Hall of Fame  
Notes to the Financial Statements (Cont.)  
December 31, 2011, and December 31, 2010**

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**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](http://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, 2011, had maturities of 182 days and a return of .15% and .30%. Investments at December 31, 2010, had maturities of 180 to 182 days and a return of .30%.

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, 2011, was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Museum exhibits	\$ 1,436,318	\$ 64,179	\$ -	\$ 1,500,497
Less accumulated depreciation	(904,200)	(49,949)	-	(954,149)
Total capital assets, net of depreciation	<u>\$ 532,118</u>	<u>\$ 14,230</u>	<u>\$ -</u>	<u>\$ 546,348</u>

**Tennessee Sports Hall of Fame  
Notes to the Financial Statements (Cont.)  
December 31, 2011, and December 31, 2010**

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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>

**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.

**NOTE 5. RECLASSIFICATION**

Certain fiscal year 2010 revenue amounts have been reclassified to conform to the fiscal year 2011 presentation. These reclassifications have not changed the fiscal year 2010 results.