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**Review of International Swimming Hall of Fame
Lease Agreement/Amendments**

Report of Audit 08/09-XX-07

February 17, 2010



Office of Management and Budget

Internal Audit

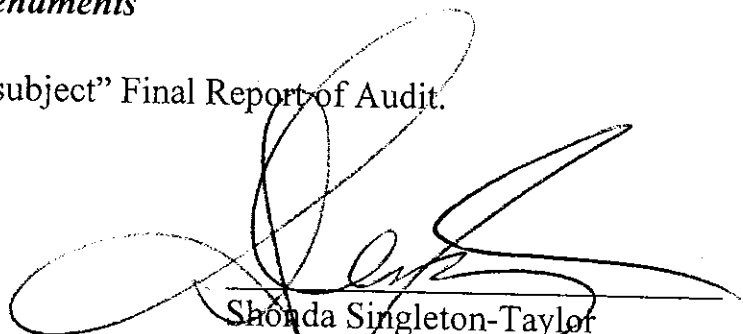
MEMORANDUM NO. 09-56

DATE: February 17, 2010

TO: Cate McCaffrey, Director of Business Enterprises
Donald L. Morris, Assistant to the City Manager (Director of Beach
CRA)

SUBJECT: *Review of International Swimming Hall of Fame Lease Agreement/
Amendments*

Enclosed is the "subject" Final Report of Audit.



Shonda Singleton-Taylor
Acting Director, Office of Management and Budget

Attachment - Final Report of Audit No. 08/09-XX-07

c: City Commission
George Gretsas, City Manager
Allyson C. Love, Assistant City Manager
Ted Lawson, Assistant City Manager
David Hebert, Assistant City Manager

SST/am

REPORT OF AUDIT NO. 08/09-XX-07

DATE: May 21, 2009

TO: Cate McCaffrey, Director of Business Enterprises
Donald L. Morris, Assistant to the City Manager (Director of Beach CRA)

FROM: Assistant Internal Audit Director/Renée C. Foley

BY: Financial Management Analyst/Dede Alexakis

SUBJECT: *Review of International Swimming Hall of Fame Lease Agreement/Amendments*

BACKGROUND

The City of Fort Lauderdale (City) entered into a 50-year Lease Agreement in 1965 with the International Swimming Hall of Fame (ISHOF)¹ for the occupancy of the City Aquatic Complex “old building” to be used as a Swimming Hall of Fame shrine to honor leading athletes, coaches of swimming, and other contributors to aquatic sports. In 1990, the City entered into the First Amendment to the 1965 Lease Agreement (agreement/amendment) with ISHOF to include the addition of a “new building” constructed.² A Second Amendment was entered into in 1991 regarding parking on the premises, which the City terminated in 2001. ISHOF is required to disburse to the City 25% of net revenues from operations, aquatic related leases in the existing building, and a negotiated division of net revenues from non-aquatic related leases, sponsorships, athletic meets and other revenue generating events on a case-by-case basis. The allocation of net revenues and rental income is determined by ISHOF’s independent auditors.

The Business Enterprises Department is responsible for the overall administration and management of ISHOF’s compliance with the requirements of the terms and conditions in the agreement/amendment.

¹ Referred to as Corporation in the 1965 Lease Agreement and 1990 First Amendment.

² A one year Lease Agreement was drafted in 1987 for the renovation of the premises and construction of the “new building.”

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SCOPE

The overall objective was to determine whether the City was due/received 25% of net revenues specified in the terms and conditions of the agreement/amendment. At the request of the Director of Business Enterprises, Internal Audit was asked to review the City's agreement/amendment with ISHOF. We performed a verification of net revenues to the City, rate and rental approvals by the City, and an assessment of leasing activity. We determined the adequacy of internal controls to monitor compliance of the agreement/amendment. We also verified compliance with requirements and payments for utilities, alarm systems, and maintenance, and whether ISHOF maintained the required certificates of insurance (COIs), permits and licenses. We conducted interviews (City staff and consultation with outside sources, ISHOF staff and their external auditors) and walkthroughs/observations, discussed policies and procedures, reviewed agreement/amendment, board meeting minutes and procedures, examined files/records/GL and reports for revenue and expenditure transactions, external auditors financial statements, and ISHOF's leasing agreements provided. Testing was conducted for ISHOF's individual fiscal years within the range of July 2005 through June 2008 using judgmental sampling methods to review and test transactions and documentation. The review was completed in accordance with generally accepted government auditing standards.

OVERALL EVALUATION

Our review revealed ISHOF owes the City an estimated amount of \$68,533, at a minimum, which represents 25% of net revenues. Cost of goods sold provided by ISHOF was estimated at 50 percent (%) of revenue; thus, was not an accurate depiction of true costs used to calculate net revenues that could result in additional net revenues due to the City. ISHOF's FY2007/08 audited financial statements were not provided during audit review; and documentation provided did not evidence the allocation and disbursement of net revenues to the City for all years reviewed. ISHOF did not obtain City approval for museum admissions and rental rates to use the auditorium/premises. Management oversight/monitoring of ISHOF's and the City's compliance with certain provisions in the agreement/amendment is hampered by vague/outdated language contained therein and subject to interpretation of requirements. Thus, an amendment or new agreement should be drafted to include and update all provisions for clarity and division

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of responsibilities of the City and ISHOF. Internal controls were not adequate to track and monitor compliance with insurance, permit, license, and alarm/security lease agreement/amendment requirements. ISHOF's board meeting protocol and minute taking/transcription and distribution needs improvement.

FINDING 1

The City estimates that ISHOF owes \$68,533, at a minimum, which represents 25% of net revenues.

1990 First Amendment, Provision 7, Revenues states: "Classification and division of revenues shall be as follows: (a) Operations: Net revenues derived from the operation of the new building and existing building, including but not limited to, admissions, athletic equipment sales, souvenir and novelty sales, short term room rentals and food and beverage sales shall be divided...(75%) to Corporation and...(25%) to City. Net revenues means gross sales price less the expenses incurred in generating such gross sales. Such expenses shall include staff payroll, promotional expenses and other normal ordinary expenses...b) Leasing Activity. All new net rental income derived from the leasing of aquatic related office space in the existing building shall be divided...(75%) to Corporation and...(25%) to City. Net rental income means gross rental income received from a tenant less the direct normal and ordinary expenses of maintaining such leased space. Non-aquatic related leases and the division of revenues derived therefrom shall be negotiated by the parties on a case by case basis. (c) Sponsorships. Corporation shall have the right to sell sponsorships for any equipment, fixture or facility located on the Complex...Net revenues derived from the sale of such sponsorships shall be divided...(75%) to Corporation and...(25%) to City. Net revenues means the gross amount received...from the sponsor, less the cost to prepare the sponsored equipment, fixture or facility...(d) Athletic meets and other revenue generating events...the details of each athletic meet or event will be arranged by the parties on a case by case basis. The net revenues from each such co-hosted athletic meet or event shall generally be divided...(75%) to the primary host and...(25%) to the secondary host. Net revenues means the gross revenues derived from the specific athletic meet or other event, including but not limited to facility use fees, sponsorship fees and admission fees, less the direct normal and ordinary expenses incurred in attracting and holding the specific athletic meet or other event...(e) Direct donations to Corporation or donations solicited by Corporation shall not be considered revenues for purposes of this Amendment. (f) The allocation of net revenues and rental income, as defined, will be determined by the Corporation's independent auditors in the course of the annual examination of the Corporation's financial statements. The Corporation will disburse to the City its

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share of such revenues, as provided herein, within sixty (60) days after completion of its annual audit."

Our review to determine whether the City was due/received 25% of net revenues³ specified in the terms and conditions of the agreement/amendment for the period July 2005 to June 2008 revealed an estimated total due to the City of \$68,533, at a minimum (**Schedule 1**).

City Related	FY2005/06	FY2006/07	FY2007/08	Grand Total
Revenues	\$364,590	\$357,726	\$399,105	\$1,121,421
Less: Expenditures	-263,539	-280,281	-303,470	-847,290
Net Revenues	\$101,051	\$ 77,445	\$ 95,635	\$ 274,130
25% of Net Revenues	\$ 25,263	\$ 19,361	\$ 23,909	\$ 68,533

The audited financial statements, notes thereof, including functional allocation of expenditures, and supporting documentation provided did not separate City and non-City revenues and expenditures to the specific activity in order to determine exact net revenues due/not due to the City for any of the years reviewed. Thus, our determination of City and non-City revenues and expenditures and the above grand total was based on our analysis of amounts listed in ISHOF's general ledgers (GLs), Statements of Income and Retained Earnings generated from GLs, confirmations from ISHOF, provisions in agreement/amendment, supporting documentation (i.e., vendor invoices, bank statements, lease agreements, etc.), and testing conducted. However, we were unable to determine certain revenues/expenditures (**Schedule 1**). Furthermore, our review of financial activity and support documentation during testing conducted revealed conditions found in **Exhibit 1**.

The Statements of Activities from the audited financial statements, were not used in our calculations since they contained mixed allocations of GL accounts. These allocations were then subdivided at year-end by the external auditors who used a different set of percentages with no justification of rationale for allocation percentages used. We utilized the cost of goods sold estimated at 50% of revenue by ISHOF's Business Manager; thus, was not an accurate depiction of true costs, which could result in additional net revenues due to the City.

³ Gross sales less the expenses incurred in generating such gross sales.

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ISHOF's CEO claimed no net revenues were due to the City since revenues were entirely offset by expenditures. However, this was not specifically stated in the audited financial statements. According to Not-for-Profit Organizations of Financial Accounting Standards Board Project Manager, if there were net revenues due to the City, standard practice is to record this as a liability in the audited financial statements and/or notes thereof. It was further stated that if the liability is not in the audited financial statements, it is good accounting practice to represent a fair picture of the details showing how the net revenues were determined with an internal schedule confirming whether money is due/not due to the City.

Allocation of net revenues in the annual audited financial statements and detailed support separating each City revenue generating activity would facilitate a verification by the City of its share of net revenues.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Director of Business Enterprises* should:

Recommendation 1. *Issue a certified letter to ISHOF requiring immediate payment of \$68,533 at a minimum, for net revenues due to the City. Furthermore, require the Aquatics Complex Manager to obtain a detailed breakdown and support documentation from ISHOF to determine City and non-City revenues and expenditures, including but not limited to cost of goods sold amounts and percentages utilized, in order to determine if additional net revenues are due to the City.*

Management Comment. *Management concurred with the finding and recommendation and stated: "Based upon the Report of Audit by the City's Internal Audit Division, the Director of Business Enterprises will issue a certified letter to ISHOF requiring immediate payment of \$68,533 for net revenues due to the City. Further, the FLAC Manager will request a detailed breakdown and support documentation from ISHOF to determine City and non-City revenues and expenditures." Estimated completion date February 26, 2010.*

Recommendation 2. *Provide in writing to ISHOF the City's expectations from the 1990 First Amendment, Provision 7, net revenues. Items should*

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include, but not be limited to the following, for each revenue generating activity:

- *Detailed breakdown of net revenues from all points of sale (i.e., Pro Shop, museum entrances, and web page) to include the disclosure of City and non-City net revenues with a complete audit trail to the GL (segregate and label City and non-City revenues/ expenses by account in ISHOF's current accounting system) in order to confirm any division/non-division of net revenues due to the City.*

Management Comment. *Management concurred with the finding and recommendation and stated: "Expectations will be provided in writing to ISHOF prior to start of City's 09/10 fiscal year, January 29, 2010." Estimated completion date January 29, 2010.*

Recommendation 3. *Determine whether ISHOF is willing to negotiate the agreement/amendment terms and conditions. If yes, consult with the City Attorney's Office to review these terms and conditions in order to amend the agreement/amendment or draw up a new agreement including, but not limited to the following requirements of ISHOF to:*

1. *Provide annual audited financial statements and supporting documentation along with quarterly updates with an audit trail of both to the GL (segregate and label City and non-City revenues/expenses by account in ISHOF's current accounting system) breaking down revenues with corresponding expenses in order for City net revenues to be separated from non-City.*
2. *Disclose allocation of net revenues in writing/internal schedule to the City upon issuance of timely audited financial statements whether money is due/not due to the City.*
3. *Obtain City approval of any third party agreements for the division of City revenues with ISHOF.*
4. *Implement and maintain on file pre-numbered duplicate receipts for museum admission and auditorium rental sales and/or cash register tapes.*

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Management Comment. *Management concurred with the finding and recommendation and stated:* “Until such time as the City determines future plans for the redevelopment of the Fort Lauderdale Aquatic Complex, the terms of an agreement cannot be determined. Business Enterprises will request counsel from the City Attorney’s Office relative to potential negotiations.” **This item is open.**

Recommendation 4. *Require the Aquatic Complex Manager to amend the Aquatic Complex Operations Manual procedures to include verification of ISHOF’s compliance with the 1990 First Amendment, Provision 7.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Procedures relative to contractual compliance will be drafted by the Aquatic Complex Manager prior to the start of the City’s 09/10 fiscal year.” **This item is closed.**

FINDING 2

ISHOF did not obtain City approval of rates for museum admissions and auditorium rentals; thus, we were unable to determine the appropriateness of rates charged.

1965 Lease Agreement, Provision 15, page 3 states: “The Corporation agrees that any rates set by it for admission to the Hall of Fame or rent paid by any concessionaire or exhibitor or any other firm, person or corporation using the premises, shall be subject to the approval of the City of Fort Lauderdale and will not be binding or enforceable unless such approval is given in writing by the City through its officials authorized to sign contracts on behalf of the City....”

1965 Lease Agreement, Provision 10, page 2 states: “The Corporation agrees that all contracts, leases and agreements with concessionaires, exhibitors, or other persons, firms or corporations using the facilities of the Hall of Fame building for a period of more than five days shall not be binding or valid until the same have been consented to by the head of the Recreation Department of the City of Fort Lauderdale.”

Florida Department of State, General Schedule for State and Local Government Agencies GS1-SL, CONTRACTS/LEASES/AGREEMENTS: Item #65, states: “This record series consists of legal documents, correspondence, reports, etc.,...RETENTION: a) Record copy. 5 fiscal years after completion or termination of contract....”

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Our review to determine whether ISHOF obtained City approval for rates as required for the period July 2005 to June 2008 revealed the following conditions found:

- No rates for museum admission and auditorium rentals were approved by the City (**Schedule 2**).
- Auditorium rental rates were not posted, nor advertised by ISHOF and rates charged varied from \$500 to \$1,800 with no written justification for variances (**Schedule 2**).
- Not all auditorium rentals had lease agreements.
- Aquatic Complex Operational Manual did not contain procedures for confirming ISHOF obtained/received museum admission and rental rate approvals from the City.

ISHOF's CEO stated that ISHOF did not request City approval of rates. The City did not have a system in place to monitor ISHOF's compliance of the lease requirements. According to ISHOF's Business Manager, some auditorium rentals in the old building had lease agreements and others did not.

Enforcement of ISHOF to obtain required admission and rental rate approvals will give the City the opportunity to establish fee appropriateness and provide an awareness of all fees charged to help determine potential net revenues due to the City.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Director of Business Enterprises* should require the *Aquatic Complex Manager* to:

Recommendation 5. *Enforce the requirement for ISHOF to obtain written City approval for all admission and rental rates and maintain such approvals on file.*⁴

⁴ Five fiscal years after completion or termination of lease agreement.

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Recommendation 6. *Amend the Aquatic Complex Operations Manual procedures to include verification of compliance of ISHOF's rate and rental approval requirements.*

Management Comment. *Management concurred with the finding and recommendations 5-6 and stated: "A certified letter advising ISHOF of requirement will be forwarded prior to the start of the City's 09/10 fiscal year." This item is closed.*

FINDING 3

Lease agreement/amendment contained vague/outdated language that did not provide a clear division of responsibilities, resulting in possible erroneous payments and service provided for utilities, alarm/security, and maintenance.

Our review to determine whether the City and ISHOF met utility, alarm/security, and maintenance requirements in lease agreement/amendment from July 2005 to June 2008 revealed the following conditions found:

1965 Lease Agreement and 1990 First Amendment Provisions	Conditions Found
<p>1990 First Amendment, Provision 3. <i>New</i> building⁵ states: "(c) Utilities. City shall pay utility costs for the <i>new</i> building."</p> <p>"However, if the average electricity consumption in the new building for the twelve (12) month period...shall be exceeded by ten percent (10%) or greater during any subsequent consecutive...12...month period of operation...Corporation shall bear the costs of such excess consumption. Such excess costs shall be invoiced to Corporation by City based upon kilowatt hours of usage on applicable electricity bills."</p>	<p>The City paid utility costs for <i>both</i> buildings (ISHOF's utility consumption was valued as paid by the City in ISHOF's audited financial statements at \$54,000 for FY2005/06 and \$55,998 for FY2006/07).</p> <p>The City did not calculate possible increases in ISHOF's electric consumption for the new building, even though the premises contained operable sub-meters.</p>

⁵ New building refers to the building constructed in 1987.

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1965 Lease Agreement and 1990 First Amendment Provisions	Conditions Found
<p>1965 Lease Agreement, Provision 5 states: "The City agrees to maintain and repair the grounds, the interior and the exterior of the Swimming Hall of Fame building at its own expense..." "maintain" shall mean the City shall provide janitor service, guards, nightwatchmen and such other personnel as is needed to keep the Hall of Fame building in a good state of repair and cleanliness."</p> <p>1990 First Amendment, Provision 6 Insurance; security states: "(c) As part of the construction of the new building, an adequate burglar alarm system shall be installed...Monthly service fees shall be borne by City."</p>	<p>The City paid for alarm/security service fees; thus, replacing the guards and nightwatchmen requirement for the <i>existing</i> building.⁶</p>
<p>1990 First Amendment, Provision 3. New building states: "(b) Corporation shall be responsible for and bear the costs of daily maintenance of the building and all minor repairs so as to keep the new building in a first-class condition. City shall contribute \$6,000.00 each fiscal year toward such costs, payable in equal <u>monthly</u> installments on the first day of each month...."</p>	<p>ISHOF invoiced and the City paid \$6,000 for maintenance at <u>year-end</u> instead of on the first of the month. According to the City and past practice, annual maintenance fee covers both buildings. According to ISHOF, such fee covers the new building only.</p>

An amended or new agreement to update language and define responsibilities would clarify expectations of ISHOF and the City and assist in monitoring compliance.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Director of Business Enterprises* should:

Recommendation 7. *Determine whether ISHOF is willing to negotiate the agreement/amendment terms and conditions. If yes, consult with the City Attorney's Office to review these terms and conditions in order to*

⁶ Existing building refers to the original/old building from the 1965 Lease Agreement.

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amend the agreement/amendment or draw up a new agreement including, but not limited to the following requirements of ISHOF to:

- 1. Eliminate outdated provisions.*
- 2. Clarify expectations and obligations of both the City and ISHOF for all provisions replacing unclear references to building(s) and requirements with specifics including, but not limited to:*
 - a) Building(s) the City is responsible for paying utility costs?*
 - b) Whether the guards and nightwatchmen requirement for the old building has been replaced by the security/alarm system?*
 - c) Which building(s) does the \$6,000 annual maintenance fee to the City cover?*
- 3. Include a termination clause.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Until such time as the City determines future plans for the redevelopment of the Fort Lauderdale Aquatic Complex, the terms of a new agreement cannot be determined. Business Enterprises will request counsel from the City Attorney’s Office relative to potential negotiations.” **This item is open.**

Recommendation 8. *Consult with Public Works Facilities Manager to determine whether the electric consumption increases in the new building warrant a process for the monthly sub-meter readings in order to verify if utility usage increases over 10% in any 12 consecutive months. Furthermore, depending on the result of recommendation 7(2)(a), use the four operable sub-meters on the premises and/or add new ones for zones that require billing and calculate all utility consumption to invoice accordingly.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “FLAC staff is currently consulting with Public Works in order to determine whether the electric consumption in the new building warrants a process for the monthly sub-meter readings regarding utility usage as well as whether the installation of new sub-meters will provide desired data. A meeting will be set prior to June 30, 2009. Regarding clarification on expectations and obligations of both the City and

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ISHOF for all provisions replacing unclear references to building(s) and requirements stated in the agreement, until such time as the City determines future plans for the redevelopment of the Fort Lauderdale Aquatic Complex, the terms of a new agreement cannot be determined. Business Enterprises will request counsel from the City Attorney's Office relative to potential negotiations." **This item is open.**

FINDING 4

Internal controls were not adequate to track and monitor compliance with insurance, permit, and license, and alarm/security requirements.

Our review of ISHOF's compliance with insurance, permit, and license; and City's compliance with alarm system security requirements for the period June 2005 to July 2008 revealed the following conditions found:

1990 First Amendment and related COI, Permit, License and Alarm Criteria	Conditions Found
1990 First Amendment, Provision 6. Insurance; security, page 3 states: "(a) Corporation shall maintain in full force and effect during the term of the Agreement, including all extensions thereof, a \$1,000,000.00/\$3,000,000.00...."	City did not submit ISHOF's annual COIs and request Risk Manager's approval for 2005/06 and 2006/07. When request for 2007/08 approval was made, the corresponding agreement was not attached to verify agreement requirements. COIs for vendors and third parties using ISHOF premises were also not evidenced. General aggregate coverage was \$2,000,000 opposed to \$3,000,000 requirement.

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1990 First Amendment and related COI, Permit, License and Alarm Criteria	Conditions Found
<p>“(b) Corporation shall insure the contents kept within such structures, for loss from fire, theft and casualty for...100% of replacement value, with an insurer authorized to do business in the State of Florida....”</p>	<p>ISHOF was not insured for the contents within the structures. In ISHOF’s audited financial statements for FY2005/06, memorabilia collection was valued at \$7,506,071.⁷</p>
<p>1990 First Amendment, Provision 9, page 4 states: “...Corporation shall ensure that all required permits, licenses and other permissions are obtained from all governmental entities having jurisdiction over the Complex and the activities conducted therein....”</p>	<p>No license/permits were evidenced by ISHOF for 2005/06, 2006/07 and 2007/08.</p>
<p>City’s Code of Ordinance, Section 15.34. Evidence of engaging in business, states: “The fact that any person or entity represented himself as being engaged in any business, occupation, or profession for which a business tax receipt is required for the transaction of business or the practice of such profession shall be evidence of the liability of such person to pay a business tax, regardless of whether such person or entity actually transacts any business or practices a profession....(Code 1953, § 23-8; Ord. No. C-1154, § 1, 8-2-55; Ord. No. C-06-41, § 2, 12-19-06).”</p>	<p>Required City business tax license was not evidenced by ISHOF.</p>
<p>City 2009 Operational Budget Manual, Business Enterprises, Division: Fort Lauderdale Aquatic Complex, page 106 states: “This division is responsible for the complete management and operation of the Fort Lauderdale Aquatic Complex...serving as the headquarters of...the privately owned and operated International Swimming Hall of Fame.”</p>	<p>City did not track and monitor compliance with COI, permit, license, and alarm/ security requirements.</p>
<p>1990 First Amendment, Provision 6(c), Page 3 states: “As part of the construction of the new building, an adequate burglar alarm system shall be installed. The initial purchase and installation costs shall be included in the new building construction costs. Monthly service fees shall be borne by City.”</p> <p>ADT Monthly Billing Invoice, states: “Test your alarm system monthly to confirm your system is operational.”</p>	<p>Business/account name and payment coupon on security/ alarm system invoice lists ISHOF opposed to the City.</p> <p>City did not inform ISHOF to test alarm system on a monthly basis.</p>

⁷ In notes 6 and 11 of ISHOF’s FY2005/06 audited financial statements the memorabilia collection was quoted from the prior year, but not recorded for the purposes of financial reporting.

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The City did not have a system in place to track and monitor compliance with lease agreement/amendment COI, permit, license, and alarm/security requirements; nor was performing a verification of compliance included in the City's Aquatic Complex Operations Manual. Furthermore, the City did not provide Risk Management with the agreement/amendment in order to verify COI compliance with insurance provision.

Establishment of a system for management to track and monitor compliance of lease agreement/amendment requirements⁸ will limit the City's liability exposure and confirm that the City's assets are protected.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Director of Business Enterprises* should require the *Aquatic Complex Manager* to:

Recommendation 9. *Forward ISHOF's current COIs immediately, accompanied by corresponding lease agreement/amendment, and continue such practice upon renewals to Risk Manager for review and approval.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "Completed. COI approved May 22, 2009 by Risk Management and accompanied by the corresponding agreement/amendment." **This item is closed.**

Recommendation 10. *Obtain copies of COIs from ISHOF for all vendors/third parties using ISHOF's premises 30 days in advance of event/auditorium rental and forward to the City's Risk Manager for review and approval. If COIs are not approved by the Risk Manager due to non-compliance with insurance requirements, follow-up with ISHOF through to resolution.*⁹

Management Comment. *Management concurred with the finding and recommendation and stated:* "Risk Management has ruled that the certificate of insurance provided by the ISHOF to the City of Fort

⁸ 1965 Lease Agreement, 1990 First Amendment, and other applicable City, County, and State requirements for operation.

⁹ Risk Manager recommends the vendor/third party COIs comply with ISHOF's COI requirements, including coverage of food and alcoholic beverages.

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Lauderdale at this time is in accordance with the agreement. Risk Management is not able to address any additional insurance requirements for the third party rentals. Risk Management has recommended new language added to any future agreements that are entered into by the City and the ISHOF when the current agreement expires in 2015. Specifically, language added that would make the ISHOF responsible for ensuring that any third party either leasing or catering events in the ISHOF Banquet Hall has the same insurance coverage that is required by the ISHOF. Additionally, any deficiency in the coverage or policy limits of the said third party will be the sole responsibility of the ISHOF. In addition, the added language should include an indemnification and holds harmless requirement wherein the ISHOF agrees to protect, defend and indemnify the City of Fort Lauderdale for any claims, injuries and/or damages that arise as a result of the negligence of either the ISHOF or its third party rentals.” **This item is closed.**

Recommendation 11. *Enforce the requirement for ISHOF to obtain COI coverage for 100% replacement value of contents within structures, including ISHOF’s memorabilia collection.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Notification to be sent to ISHOF via certified letter by January 29, 2010 requesting proof of insurance coverage for 100% replacement value of contents within structures including ISHOF’s memorabilia collection.” **Estimated completion date January 29, 2010.**

Recommendation 12. *Enforce ISHOF to obtain a City business tax license, applicable permits, and follow-through to resolution. Furthermore, submit all of the aforementioned including annual renewals to the City.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Notification to be sent to ISHOF via certified letter by January 29, 2010 requesting City business tax license, and applicable permits as per the contract.” **Estimated completion date January 29, 2010.**

Recommendation 13. *Establish written procedures in the City Aquatic Complex Operations Manual including, but not limited to systems to track and monitor ISHOF’s compliance with the following:*

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- 1. Applicable permit and license requirements, consulting with Code Enforcement and other government agencies.*
- 2. COIs, including vendors and third parties, by consulting with Risk Management.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Procedures relative to contractual compliance will be drafted by the Aquatic Complex Manager prior to the start of the City’s 09/10 fiscal year.” **This item is closed.**

Recommendation 14. *Inform the alarm/security provider to change the business/account name and contact on monthly invoices to Finance/Accounts Payable.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Alarm/security provider request to change the business/account name and contact on monthly invoices to Finance/Accounts payable to be completed.” **This item is closed.**

The *Director of Business Enterprises* should:

Recommendation 15. *Determine whether ISHOF is willing to negotiate the agreement/amendment terms and conditions. If yes, consult with the City Attorney’s Office to review these terms and conditions in order to amend the agreement/amendment or draw up a new agreement including, but not limited to the following requirements of ISHOF to:*

- 1. Bring the amendment/agreement, and any future contracts/leases with ISHOF into compliance with the Risk Management Manual (i.e., \$3,000,000 COI aggregate coverage requirement remain the same or change to \$2,000,000) by consulting with Risk Management and address additional insurance, such as automobile liability and/or workers’ compensation coverage for both buildings.¹⁰*
- 2. Revise the alarm/security requirement to include coverage of both buildings and safeguard City’s liability by consulting with Risk Management.*

¹⁰ It is recommended by the Risk Manager to provide the City with workers’ compensation coverage.

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Management Comment. *Management concurred with the finding and recommendation and stated:* “Until such time as the City determines future plans for the redevelopment of the Fort Lauderdale Aquatic Complex, the terms of a new agreement cannot be determined. Business Enterprises will request counsel from the City Attorney’s Office relative to potential negotiations.” **This item is open.**

Recommendation 16. *Direct Aquatic Complex Manager to retrieve monthly alarm/security invoices from Central Services Manager and forward to ISHOF to verify operational invoice compliance.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Aquatic Complex Manager to retrieve monthly alarm/security invoices from Central Services Manager and forward to ISHOF to verify invoice compliance.” **This Item is closed.**

FINDING 5

ISHOF changed the location and date of board meetings without proper communication to all parties; and minutes were not formally distributed to inform board of directors of meeting decisions/approvals.

1965 Lease Agreement, Page 1, Provision 1 states: “The City of Fort Lauderdale, having been asked to approve the Charter of the Swimming Hall of Fame, Inc. and its By-Laws, does hereby approve said Charter and By-Laws, copy of which Charter and By-Laws are hereto attached...Exhibits A and B....”

1964 Swimming Hall of Fame Charter, Provision 7. Board of Directors states: “...The officers and directors are to be elected at the annual meeting of the corporation. The annual meeting of the corporation shall be at the City Commission Room in the City Hall, at Fort Lauderdale, Florida, at 8:00 o’clock P.M., on Monday of the week in which December 21st occurs, each year...Provision 8 states: The Board of Directors shall also have on it, automatically, the Mayor and City Manager of the City..., unless the City Commission..., designates two other official representatives; and not fewer than two other persons, as Directors-at-Large....”

September 8, 2005 Minutes of the ISHOF Board of Directors distributed to Board Members (City version), Item 14 states ISHOF CEO: “... informed the Board that the bylaws had been suspended by the previous board and that the charter and bylaws needed to be amended...Chair of the Weinberg Center for Corporate

REPORT OF AUDIT NO. 08/09-XX-07

Governance at the University of Delaware...will join the Board in January, but has agreed to provide...expertise in this matter...proposed there be 3 classes of Directors: 5 will serve 1 year, 5 will serve 2 years and 5 for 3 years....”

Our review of ISHOF’s board meeting minutes from July 2005 to June 2008 revealed the following:

- Annual board meetings were not held by ISHOF at the specified location and date in ISHOF’s Charter. Meeting minutes provided upon request during audit evidenced locations such as Beverly Hills, California and New York, New York; thus, increasing travel expenditures.
- Although not within audit period, the City was not informed by ISHOF of the last minute location change for the November 2008 board meeting; thus, City Director of Business Enterprises arrived late.
- Meeting minutes were not received/evidenced by the City Director of Business Enterprises with the exception of those for September 8, 2005. The City’s version of these minutes stated the By-Laws needed to be amended; however, ISHOF CEO’s version stated By-Laws and Charter were amended and approved reducing the number of City board members from 2 to 1.¹¹
- Meeting minutes provided as a result of our review were recorded by ISHOF’s CEO, other, or recorder was omitted.
- ISHOF’s original By-Laws referenced in the 1965 Lease Agreement were not evidenced by the City or ISHOF.

According to the Director of Business Enterprises, ISHOF did not formally inform all board members of board meeting location changes. Furthermore, ISHOF lacked a formal communication process to inform board members of meeting results.

¹¹ September 8, 2005 By-Laws provided by ISHOF CEO, Article 5, Section 2-Board of Directors states: “The Board shall consist of from 9-15 persons, one of whom shall be designated by the City Commissioners of the City of Fort Lauderdale.”

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Written notification to members of the location, date and time of all board meetings, holding annual meetings at City specified location, limiting major board decisions and elections to the Charter-specified annual meeting, and utilization of a service to record/transcribe meeting minutes and distribution thereof, would provide a clear line of communication among all board of directors and reduce unnecessary travel expenditures.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Director of Business Enterprises* should:

Recommendation 17. *Request in writing that ISHOF provide the City with ISHOF's Charter and By-Laws, including any approved amendments.*

Management Comment. *Management concurred with the finding and recommendation and stated: "Request for ISHOF Charter and By-Laws previously forwarded to ISHOF. Request for Charter and By-Laws including approved amendments sent via certified mail by January 29, 2010." Estimated completion date January 29, 2010.*

Recommendation 18. *Enforce the annual board meeting location and date specified in ISHOF's Charter currently on file with the City in the 1965 Lease Agreement.*

Management Comment. *Management concurred with the finding and recommendation and stated: "ISHOF has indicated that guidelines relative to board membership have been changed, however City has not received adequate verification of such. Request for adherence to current Charter and By-Laws relative to the enforcement of the annual board meeting location and date specified and/or documentation evidencing change to Charter and By-Laws will be forwarded via certified mail by January 29, 2010." Estimated completion date January 29, 2010.*

Recommendation 19. *Determine whether ISHOF is willing to negotiate the agreement/amendment terms and conditions. If yes, consult with the City Attorney's Office to review these terms and conditions in order to amend the agreement/amendment or draw up a new agreement including, but not limited to the following requirements of ISHOF to:*

REPORT OF AUDIT NO. 08/09-XX-07

1. *Communicate meeting location and times to all board of directors with written attendance confirmation.*
2. *Confirm all major board decisions, such as the elections of board members and officers, and the amendments of By-Laws and Charter be made at the annual board meeting at the location and date specified in ISHOF's Charter currently on file with the City.*
3. *Utilize a transcription service vendor for taking/transcribing meeting minutes and forward all board of directors approved versions, upon approval, including any amendments.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "Until such time as the City determines future plans for the redevelopment of the Fort Lauderdale Aquatic Complex, the terms of a new agreement cannot be determined. Business Enterprises will request counsel from the City Attorney's Office relative to potential negotiations by." **This item is open.**

EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive to the recommendations.

ISHOF FY 2006, 2007, AND 2008 (25%) NET REVENUE SUMMARY

Per ISHOF's Unaudited Statements of Income and Retaining Earnings generated from GLs	Per IA	FY 2006-2005													
		Revenue				Expense				Net Revenue				Unsupported Documentation	
		City	Non City	UTD	Total	City	Non City	UTD	Total	City	Non City	UTD	Total	Revenue	Expense
Marketing & Fund Raising	\$ -	\$ 251,986	\$ -	\$ 251,986	\$ -	\$ 56,956	\$ -	\$ 56,956	\$ -	\$ 195,030	\$ -	\$ 195,030	\$ (148,258)		
Merchandise Sales*	264,922	-	-	264,922	188,965	-	-	188,965	75,958	-	-	75,958			
Library	-	5,369	-	5,369	-	10,011	-	10,011	-	(4,642)	-	(4,642)			
Museum	11,171	-	-	11,171	50,608	-	-	50,608	(39,436)	-	-	(39,436)			
Membership and Rental	88,496	17,572	12,000	118,068	23,967	13,703	-	37,670	64,529	3,869	12,000	80,398			
Administrative Support	-	-	2,320	2,320	-	2,104	351,427	353,531	-	(2,104)	(349,107)	(351,212)			
Special Events	-	-	-	-	-	(62,291)	-	(62,291)	-	62,291	-	62,291			
Paine Weber Activity	-	-	-	-	-	(40,726)	-	(40,726)	-	40,726	-	40,726			
Accounting Adjustments	-	-	-	-	-	-	27,600	27,600	-	-	(27,600)	(27,600)			
Total	\$ 364,590	\$ 274,927	\$ 14,320	\$ 653,837	\$ 263,539	\$ (20,243)	\$ 379,027	\$ 622,324	\$ 101,051	\$ 295,169	\$ (364,707)	\$ 31,513	\$ (148,258)		
Estimated 25% Due City									\$ 25,263						
		FY 2006-2007													
		Revenue				Expense				Net Revenue				Unsupported Documentation	
		City	Non City	UTD	Total	City	Non City	UTD	Total	City	Non City	UTD	Total	Revenue	Expense
Marketing & Fund Raising	\$ -	\$ 314,176	\$ -	\$ 314,176	\$ -	\$ 48,802	\$ -	\$ 48,802	\$ -	\$ 265,374	\$ -	\$ 265,374			
Merchandise Sales*	249,181	-	-	249,181	175,163	-	-	175,163	74,019	-	-	74,019			
Library	-	19,910	-	19,910	-	4,639	-	4,639	-	15,271	-	15,271			
Museum	15,244	-	-	15,244	74,411	-	-	74,411	(59,167)	-	-	(59,167)			
Membership and Rental	93,301	24,825	30,000	148,126	30,707	14,373	-	45,080	62,593	10,452	30,000	103,046			
Administrative Support	-	-	818	818	-	2,249	512,898	515,147	-	(2,249)	(512,080)	(514,328)			
Special Events	-	-	-	-	-	(70,143)	-	(70,143)	-	70,143	-	70,143			
Paine Weber Activity	-	-	-	-	-	(76,299)	-	(76,299)	-	76,299	-	76,299			
Accounting Adjustments	-	-	-	-	-	-	25,276	25,276	-	-	(25,276)	(25,276)			
Total	\$ 357,726	\$ 358,911	\$ 30,818	\$ 747,455	\$ 280,281	\$ (76,380)	\$ 538,174	\$ 742,075	\$ 77,445	\$ 435,291	\$ (507,356)	\$ 5,380			
Estimated 25% Due City									\$ 19,361						
		FY 2007-2008													
		Revenue				Expense				Net Revenue				Unsupported Documentation	
		City	Non City	UTD	Total	City	Non City	UTD	Total	City	Non City	UTD	Total	Revenue	Expense
Marketing & Fund Raising	\$ 5,000	\$ 258,059	\$ -	\$ 263,059	\$ -	\$ 45,289	\$ -	\$ 45,289	\$ 5,000	\$ 212,769	\$ -	\$ 217,769		\$ 872	
Merchandise Sales*	272,866	-	-	272,866	184,156	-	-	184,156	88,710	-	-	88,710		80	
Library	-	425	-	425	-	6,683	-	6,683	-	(6,258)	-	(6,258)			
Museum	17,696	-	-	17,696	96,669	-	-	96,669	(78,972)	-	-	(78,972)	(9,916)	100	
Membership and Rental	103,543	38,568	33,699	175,810	22,646	13,511	-	36,157	80,897	25,057	33,699	139,652		8,600	
Administrative Support	-	-	29,942	29,942	-	2,421	404,225	406,645	-	(2,421)	(374,283)	(376,703)	(1,410)	14,910	
Special Events	-	-	-	-	-	(41,414)	-	(41,414)	-	41,414	-	41,414		8,970	
Paine Weber Activity	-	-	-	-	-	-	-	-	-	-	-	-			
Accounting Adjustments	-	-	-	-	-	-	25,071	25,071	-	-	(25,071)	(25,071)			
Total	\$ 399,105	\$ 297,052	\$ 63,641	\$ 759,797	\$ 303,470	\$ 26,490	\$ 429,295	\$ 759,256	\$ 95,635	\$ 270,561	\$ (365,655)	\$ 542	\$ (11,326)	\$ 33,532	
Estimated 25% Due City									\$ 23,909				\$ (2,479)	\$ 2,195	
Estimated Total									\$ 68,533				\$ (284)	\$ 68,248	

ISHOF FY 2006, 2007, AND 2008 (25%) NET REVENUE SUMMARY

Legend:															
Non City	Non City Revenue/Expenditure.														
*	Cost of Goods amount used is based on what ISHOF's Business Manager stated was estimated at 50% of revenues; however, no support documentation was provided; thus, was not an accurate depiction of revenues that could result in additional net revenues due to the City.														
City	City Revenue/Expenditure.														
UTD	Unable to Determine whether this is City and/or ISHOF Revenue/Expenditure.														
Note:															
Administrative Support Expenses are being excluded because they are provided as a lump sum amount. (Except for salaries, which are being used above).															
Amounts used above are from ISHOF GL opposed to External Auditor's detail/Financial Statements of Activities, since this does reconcile directly to the GL.															
Boat Show Auditorium Rental was erroneously recorded as Pledges Receivable opposed to Rental Revenue, which has been corrected as of 2006.															

Revenues

- Various auditorium lease agreement rent and security amounts could not be traced to the GL and lessees' names/references were not always depicted.
- Check copies and/or cash receipts were not evidenced for auditorium lease agreements. Auditorium lease agreements were not pre-numbered carbon/duplicate forms.
- More than half of the museum admission revenues from the GL were processed at the museum entrance (old building), which were not always rung via cash register nor were customers provided with receipts. Furthermore, these same revenues were referred to as deposits in the GL with no support documentation evidenced (**Schedule 2-3**).
- We requested clarification and support documentation for water polo video sales (Pro Shop and web page) by ISHOF's CEO, who received revenues for such sales according to the GL; however, invoices/receipts were not evidenced.
- In 2007, a Boat Show "Rentals" revenue (\$31,000) from the audited financial statements was recorded as "Pledges Receivable" in the GL, although it was subsequently adjusted. Agreements between ISHOF and the promoter, dating back to 1997, erroneously specified monies due to ISHOF as a "Donation."

Donations¹

\$148,258 of \$251,986 (59%) "Donations" recorded in the GL and "Contributions" in the audited financial statement did not have supporting documentation evidenced, others were not recorded, and contained handwritten information. Thus, it is questionable whether these were indeed donations and not City revenues. (**Schedule 1**).

Expenditures

- "Rental Expenses" combined City (auditorium rental expenses) with non-City expenses (**Schedule 3**).
- "Contributions" did not evidence corresponding expenses (**Exhibit 2**).
- \$34,942 of \$438,463 (8%) vendor expenditures provided by ISHOF did not have support documentation (i.e., invoices/receipts).
- Salaries were divided in percentages by ISHOF's Business Manager, which were posted to GL accounts². However, these accounts were then subdivided at year end by the external auditors who used a different set of percentages without providing a justification/rationale.³

¹ Direct donations to Corporation or donations solicited by Corporation shall not be considered "City" revenues.

² Determined by ISHOF CEO and the external auditors.

³ ISHOF's external auditors' percentage distribution of expenses varied from FY2005/06 to FY2006/07, and FY2007/08 with no explanation provided.

**VERIFICATION OF INTERNATIONAL SWIMMING HALL OF FAME, INC. (ISHOF)
AUDITORIUM RENTAL AND MUSEUM ADMISSION RATE APPROVALS**

SCHEDULE 2

Item #	Per ISHOF Auditorium Lease Agreements for FY2005/06 (rent paid)						Per IA
	Auditorium Rental Event Date	Rent Total Amount	# of Rates	Security Deposit	# of Rates	Rent Total plus Security Deposit	Rate Approved by City? (Yes/No)
1	5/28/2006	500.00	1	-	1	\$ 500.00	No
2	12/1/2005	600.00	2	200.00	2	800.00	No
3	3/17/2006	600.00		100.00	3	700.00	No
4	7/15/2005	700.00	3	-		700.00	No
5	7/30/2005	700.00		100.00		800.00	No
6	8/5/2005	700.00		100.00		800.00	No
7	8/19/2005	700.00		100.00		800.00	No
8	9/16/2005	700.00		100.00		800.00	No
9	10/14/2005	700.00		100.00		800.00	No
10	11/12/2005	700.00		100.00		800.00	No
11	11/18/2005	700.00		100.00		800.00	No
12	12/9/2005	700.00		-		700.00	No
13	12/14/2005	700.00		100.00		800.00	No
14	2/4/2006	700.00		200.00		900.00	No
15	4/22/2006	700.00		100.00		800.00	No
16	2/10/2006	800.00	4	100.00		900.00	No
17	6/2/2006	800.00		200.00		1,000.00	No
18	6/30/2006	800.00		100.00		900.00	No
19	6/9/2006	900.00	5	200.00		1,100.00	No
20	7/2/2005	950.00	6	100.00		1,050.00	No
21	7/9/2005	950.00		100.00		1,050.00	No
22	7/17/2005	950.00		-		950.00	No
23	8/6/2005	950.00		100.00		1,050.00	No
24	8/13/2005	950.00		100.00		1,050.00	No
25	8/14/2005	950.00		100.00		1,050.00	No
26	8/27/2005	950.00		100.00		1,050.00	No
27	9/3/2005	950.00		100.00		1,050.00	No
28	9/4/05	950.00		100.00		1,050.00	No
29	9/17/2005	950.00		100.00		1,050.00	No
30	9/24/2005	950.00		100.00		1,050.00	No
31	10/1/2005	950.00		100.00		1,050.00	No
32	10/8/2005	950.00		100.00		1,050.00	No
33	10/23/2005	950.00		100.00		1,050.00	No
34	11/19/2005	950.00		100.00		1,050.00	No
35	11/26/2005	950.00		100.00		1,050.00	No
36	12/3/2005	950.00		100.00		1,050.00	No
37	12/10/2005	950.00		100.00		1,050.00	No
38	12/24/2005	950.00		100.00		1,050.00	No
39	1/28/2006	950.00		100.00		1,050.00	No
40	2/4/2006	950.00		100.00		1,050.00	No
41	2/11/2006	950.00		100.00		1,050.00	No
42	2/18/2006	950.00		100.00		1,050.00	No
43	3/4/2006	950.00		100.00		1,050.00	No
44	3/11/2006	950.00		100.00		1,050.00	No
45	3/18/2006	950.00		100.00		1,050.00	No
46	3/25/2006	950.00		100.00		1,050.00	No
47	4/15/2006	950.00		100.00		1,050.00	No
48	5/20/2006	950.00		100.00		1,050.00	No
49	6/3/2006	950.00		100.00		1,050.00	No
50	6/10/2006	950.00		100.00		1,050.00	No
51	1/14/2006	975.00	7	100.00		1,075.00	No
52	1/7/2006	1,100.00	8	200.00		1,300.00	No
53	2/19/2006	1,100.00		200.00		1,300.00	No
54	3/5/2006	1,200.00	9	200.00		1,400.00	No
55	3/19/2006	1,200.00		200.00		1,400.00	No
56	4/1/2006	1,200.00		200.00		1,400.00	No
57	6/4/2006	1,200.00		-		1,200.00	No
58	6/17/2006	1,200.00		100.00		1,300.00	No
59	6/25/2006	1,200.00		200.00		1,400.00	No
60	4/28-30/2006	1,500.00	10	-		1,500.00	No
61	12-16/17-05	1,800.00	11	-		1,800.00	No
Total		\$ 56,525.00		\$ 6,400.00		\$ 62,925.00	
						"No" Count	61
						"Yes" Count	0
						Total	61
Note:	Names from lease agreements for auditorium rentals were removed to maintain lessees' privacy .						
Item #	Per ISHOF Museum Admission Rates posted @ Museum Entrance (Old Building) on 12/9/08					Per IA	
	Admission Type		Rate			Rate Approved by City? (Yes/No)	
1	Museum Members		Free			No	
2	Active Military (with ID)		Free			No	
3	Children (6 & Under)		Free			No	
4	Adults		\$8			No	
5	Senior Citizens (65 & Older)		\$6			No	
6	Students (with ID)		\$4			No	
7	Group Tours (10 or more/Pre-Scheduled)		\$5			No	
						"No" Count	7
						"Yes" Count	0
						Total	7

**VERIFICATION OF ISHOF'S
RENTAL REVENUES FOR FY2005/06**

SCHEDULE 3

Per IA (Monthly totals calculated from ISHOF's General Ledger Account ID 473 and 475)														
Processed @	July-05	August-05	September-05	October-05	November-05	December-05	January-06	February-06	March-06	April-06	May-06	June-06	Total	%
Pro Shop	\$ 896.22	\$ 2,240.55	\$ 1,226.40	\$ 778.29	\$ 448.11	\$ -	\$ 1,014.15	\$ 1,273.58	\$ 1,037.73	\$ -	\$ 896.22	\$ 1,130.04	\$ 10,941.29	19%
Museum Entrance	4,371.00	1,762.50	1,748.00	634.50	5,534.72	1,350.78	4,935.00	4,606.00	8,545.50	1,128.00	6,439.00	3,404.00	44,459.00	77%
Adjustments	-	-	-	-	-	-	-	-	-	-	-	2,096.00	2,096.00	4%
Total Auditorium	\$ 5,267.22	\$ 4,003.05	\$ 2,974.40	\$ 1,412.79	\$ 5,982.83	\$ 1,350.78	\$ 5,949.15	\$ 5,879.58	\$ 9,583.23	\$ 1,128.00	\$ 7,335.22	\$ 6,630.04	\$ 57,496.29	100%
Total Office Rentals	-	1,000.00	500.00	-	-	500.00	-	-	-	-	-	10,000.00	12,000.00	
Total Rentals	\$ 5,267.22	\$ 5,003.05	\$ 3,474.40	\$ 1,412.79	\$ 5,982.83	\$ 1,850.78	\$ 5,949.15	\$ 5,879.58	\$ 9,583.23	\$ 1,128.00	\$ 7,335.22	\$ 16,630.04	\$ 69,496.29	
Total Pledges													31,000.00	
Total Audited Financial Statement													\$ 100,496.29	
Legend:														
ISHOF	International Swimming Hall of Fame, Inc.													
IA	Internal Audit													
GL	General Ledger													
UTD	Unable to Determine which portion of external auditors' % was attributed to auditorium rental expenses since all rental expenses, with the exception of Account ID 803 Auditorium Expenses, were grouped with other non-City rental expenses.													
Deposits	Cash received for auditorium rentals with no record of lessee's name													
Contract Names	Refers to Auditorium rentals through ISHOF deposited in GL with contract names													
Adjustments	Refers to Auditorium rentals through ISHOF year-end adjustments													
*	Note 9 of the Audited Financial Statements attributed \$18,000 as Rentals expense to offset utilities and rent paid by the City.													
Per ISHOF External Auditors' Statements of Activities For the Years Ended June 30, 2006 and 2005			Per ISHOF External Auditors' Detail					Per IA (Using GL)						
Revenues: Rentals			Account #	Account Name	Amount (annual)	(% to) Rentals	\$ Rentals	Account ID	Trans Description	GL Amount	Variance Amount	%		
								473 Auditorium Rentals	\$ 57,496.29					
								475 Office Rentals	12,000.00					
								UTD	UTD					
Total Rentals Revenue		\$100,496							\$ 69,496.29	\$ (31,000)		31%		
			558 Pro Shop Manager Salary		\$ 15,676.13	6.29%	\$ 986.03	558 Pro Shop Manager Salary	UTD					
			559 Salaries - Pro Shop		27,767.65	6.29%	1,746.59	559 Salaries - Pro Shop	UTD					
			573 Salaries - Auditorium Rentals		4,900.00	6.29%	308.21	573 Salaries - Auditorium Rentals	UTD					
			595 Salaries - Library		4,517.76	6.29%	284.17	595 Salaries - Library	UTD					
			802 Salaries - Museum		30,012.10	6.29%	1,887.76	802 Salaries - Museum	UTD					
			803 Auditorium Expenses		19,066.91	100.00%	19,066.91	803 Auditorium Expenses	19,066.91					
			828 Salary Fund Raising		52,802.85	6.29%	3,321.30	828 Salary Fund Raising	UTD					
			831 Insurance - Group		70,106.77	6.29%	4,409.72	831 Insurance - Group	UTD					
			832 Insurance - Other (See below)					832 Insurance - Other (See below)	UTD					
			General Liability		18,972.08	5.00%	948.60	General Liability	UTD					
			Windstorm		935.04	5.00%	46.75	Windstorm	UTD					
			Workers Comp		4,394.72	6.29%	276.43	Workers Comp	UTD					
			845 Payroll Taxes		23,080.26	6.29%	1,451.75	845 Payroll Taxes	UTD					
			863 Salaries -Administrative		100,320.24	6.29%	6,310.14	863 Salaries -Administrative	UTD					
			876 Membership Coordinator - Salary		12,376.00	6.29%	778.45	876 Membership Coordinator - Salary	UTD					
			* 933 Rent Expense - Non Cash		249,999.96	5.00%	12,500.00	933 Rent Expense - Non Cash	UTD					
			* 935 Utilities & Security - Non Cash		110,000.04	5.00%	5,500.00	935 Utilities & Security - Non Cash	UTD					
Total Expenses		\$59,823					\$ 59,822.80		\$ 19,066.91	\$ 40,755.89			68%	
Net Revenue		\$40,673												

INTERNATIONAL SWIMMING HALL OF FAME, INC.

Statements of Activities
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUES		
Public Support		
Contributions	\$ 251,986	\$ 180,252
Contributed Services and Materials (Note 9)	<u>360,000</u>	<u>360,000</u>
Total Public Support	<u>611,986</u>	<u>540,252</u>
Revenues		
Merchandise Sales	264,432	283,926
Pro Shop Expenses	(208,586)	(259,392)
Admissions, Dues and Fees	34,112	18,045
Rentals	100,496	62,436
Rental Expenses	(59,823)	(62,232)
Fundraising Events	157,881	68,223
Less: Fundraising Events Expenses	(95,590)	(111,882)
Miscellaneous Income	(1,041)	19,025
Investment Income (Note 3)	<u>48,518</u>	<u>19,331</u>
Total Revenues	<u>240,399</u>	<u>37,480</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>852,385</u>	<u>577,732</u>
EXPENSES		
Program	617,930	550,832
General and Administrative	134,472	324,136
Fundraising	<u>34,948</u>	<u>130,911</u>
TOTAL EXPENSES	<u>787,350</u>	<u>1,005,879</u>
CHANGE IN NET ASSETS	<u>65,035</u>	<u>(428,147)</u>
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	627,294	8,639,512
Prior Period Adjustments (Note 11)		<u>(7,584,071)</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>627,294</u>	<u>1,055,441</u>
NET ASSETS, END OF YEAR	<u>\$ 692,329</u>	<u>\$ 627,294</u>

The accompanying notes are an integral part of these financial statements.