

ROXY PRODUCTIONS, INC.
AUDITED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

TABLE OF CONTENTS

Independent Auditor's Report	1
Audited Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Roxy Productions, Inc.
Clarksville, Tennessee

We have audited the accompanying financial statements of Roxy Productions, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Roxy Productions, Inc. as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

January 29, 2020

ROXY PRODUCTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 9,466	\$ 9,181
Grants receivable	4,075	4,845
Prepaid expenses	34,253	17,930
Total current assets	<u>47,794</u>	<u>31,956</u>
 <u>PROPERTY AND EQUIPMENT</u>		
Land	55,770	55,770
Building	147,916	147,916
Equipment	66,580	66,580
Improvements	100,189	93,689
Total property and equipment	<u>370,455</u>	<u>363,955</u>
Less: accumulated depreciation	231,015	223,767
Net property and equipment	<u>139,440</u>	<u>140,188</u>
 Total assets	 <u><u>\$ 187,234</u></u>	 <u><u>\$ 172,144</u></u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 80,423	\$ 27,088
Payroll taxes payable	5,990	5,929
Current portion of related-party payables	6,000	7,500
Current portion of notes payable	8,065	8,065
Total current liabilities	<u>100,478</u>	<u>48,582</u>
 <u>LONG-TERM LIABILITIES</u>		
Related-party payables	11,052	16,052
Notes payable	290,830	298,690
Total long-term liabilities	<u>301,882</u>	<u>314,742</u>
 Total liabilities	 <u>402,360</u>	 <u>363,324</u>
 <u>NET ASSETS (DEFICIT)</u>		
Without donor restrictions - undesignated	<u>(215,126)</u>	<u>(191,180)</u>
Total net assets (deficit)	<u>(215,126)</u>	<u>(191,180)</u>
 Total liabilities and net assets	 <u><u>\$ 187,234</u></u>	 <u><u>\$ 172,144</u></u>

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

ROXY PRODUCTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>		
Revenue:		
Admissions	\$ 309,919	\$ 291,471
Contributions	159,117	146,240
Grants	20,330	18,645
Advertising and sponsorships	16,970	18,853
Education programs	59,723	45,639
Concessions	9,948	10,415
Other	6,390	6,386
Total unrestricted revenue	<u>582,397</u>	<u>537,649</u>
Expenses:		
Program services	275,635	215,739
Management and general	307,359	300,733
Fundraising	23,349	17,803
Total expenses	<u>606,343</u>	<u>534,275</u>
<u>CHANGE IN NET ASSETS</u>	(23,946)	3,374
<u>NET ASSETS (DEFICIT) - BEGINNING</u>	<u>(191,180)</u>	<u>(194,554)</u>
<u>NET ASSETS (DEFICIT) - ENDING</u>	<u>\$ (215,126)</u>	<u>\$ (191,180)</u>

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

ROXY PRODUCTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Actor's housing	\$ 22,133	\$ -	\$ -	\$ 22,133
Advertising	-	32,732	-	32,732
Bank fees	-	3,855	-	3,855
Depreciation	-	7,248	-	7,248
Development	-	680	-	680
Dues	137	-	-	137
Education programs	7,718	-	-	7,718
Film series	1,697	-	-	1,697
Fundraising	-	-	23,349	23,349
Insurance	-	12,008	-	12,008
Interest	-	14,657	-	14,657
Maintenance	-	7,353	-	7,353
Office	-	19,303	-	19,303
Payroll taxes	-	11,035	-	11,035
Production	186,152	-	-	186,152
Professional services	-	27,250	-	27,250
Royalties	57,798	-	-	57,798
Salaries	-	128,109	-	128,109
Ticket fees	-	14,743	-	14,743
Utilities	-	28,386	-	28,386
Total expenses	<u>\$ 275,635</u>	<u>\$ 307,359</u>	<u>\$ 23,349</u>	<u>\$ 606,343</u>

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

ROXY PRODUCTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2018

	Program	Management and General	Fundraising	Total
Actor's housing	\$ 20,005	\$ -	\$ -	\$ 20,005
Advertising	-	34,155	-	34,155
Bank fees	-	3,422	-	3,422
Depreciation	-	6,976	-	6,976
Development	-	6,911	-	6,911
Dues	575	-	-	575
Education programs	7,899	-	-	7,899
Film series	1,516	-	-	1,516
Fundraising	-	-	17,803	17,803
Insurance	-	5,097	-	5,097
Interest	-	14,809	-	14,809
Maintenance	-	8,263	-	8,263
Office	-	16,995	-	16,995
Payroll taxes	-	9,992	-	9,992
Production	144,271	-	-	144,271
Professional services	-	21,250	-	21,250
Royalties	41,473	-	-	41,473
Salaries	-	132,229	-	132,229
Ticket fees	-	14,576	-	14,576
Utilities	-	26,058	-	26,058
Total expenses	<u>\$ 215,739</u>	<u>\$ 300,733</u>	<u>\$ 17,803</u>	<u>\$ 534,275</u>

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

ROXY PRODUCTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (23,946)	\$ 3,374
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,248	6,976
Changes in:		
Grant receivable	770	8,169
Prepaid expenses	(16,323)	8,744
Accounts payable	53,335	(39,808)
Payroll taxes payable	61	249
Net cash provided by (used in) operating activities	<u>21,145</u>	<u>(12,296)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(6,500)</u>	<u>(28,040)</u>
Net cash used in investing activities	<u>(6,500)</u>	<u>(28,040)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Related-party payables	(6,500)	(11,500)
Repayment of notes payable	<u>(7,860)</u>	<u>(7,514)</u>
Net cash used in financing activities	<u>(14,360)</u>	<u>(19,014)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	285	(59,350)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>9,181</u>	<u>68,531</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 9,466</u>	<u>\$ 9,181</u>

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

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Roxy Productions, Inc. (the Roxy) is a nonprofit organization established August 12, 1985. Its objective is to produce live plays and other entertainment for the social and educational benefit of Clarksville, Tennessee and the surrounding areas. The Roxy's operations are controlled by a board of directors.

The Roxy is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation. Accordingly, no provision for income taxes has been made. However, the Roxy does file information returns required by the Internal Revenue Service. The Roxy is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before August 31, 2016.

Use of Estimates

The Roxy's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates in the near term and variations can have a material effect on the financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Roxy utilizes the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. Operating revenues and expenses include those items that increase or decrease net assets without donor restrictions.

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental nonprofit organizations such as the Chamber. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the Chamber to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the two net asset categories follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains and losses that are not restricted by grants or donors are included in this classification. All expenditures are reported in the net assets without donor restrictions class of net assets since the use of restricted contributions in accordance with the grantors' or donors' stipulations results in the release of the restriction.

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
AUGUST 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting (Cont'd)

Net Assets With Donor Restrictions

Net assets with donor restrictions are limited as to use by donor- or grantor-imposed restrictions. Some restrictions expire with the passage of time or may be satisfied by use for the specific purpose. Other donor-imposed restrictions are perpetual in nature, whether the donor stipulates that resources be maintained in perpetuity. The Roxy had no net assets with donor restrictions at August 31, 2019 and 2018.

Concentrations of Credit Risk

Financial instruments that potentially subject the Roxy to significant concentrations of credit risk consist principally of cash and grants receivable. The Roxy places its cash with federally-insured financial institutions. Grants receivable consists of amounts receivable from the Tennessee Arts Commission. The Roxy does not require collateral with respect to grants receivable.

Concentrations of Revenue

Revenue from admissions was \$309,919 and accounted for 53% of total revenues for the year ended August 31, 2019. Revenues from admissions was \$291,471 and accounted for 54% of total revenues for the year ended August 31, 2018. A major reduction in admissions revenue could have a significant effect on the future operations of the Roxy.

Cash and Cash Equivalents

The Roxy considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

Contributions, Contributions Receivable and Grants Receivable

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Other contributions are recorded as received. Contributions receivable are not evidenced by any form of collateral.

Grants receivable consists of amounts receivable from the Tennessee Arts Commission. The Tennessee Arts Commission grant provides reimbursements for certain types of operating expenses. This grant receivable amount represents reimbursements that were earned at year end.

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
AUGUST 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (Cont'd)

Contributions, Contributions Receivable and Grants Receivable (Cont'd)

Grants revenue for the year ended August 31, 2019 and 2018, was from the following sources:

	<u>2019</u>	<u>2018</u>
Tennessee Arts Commission	\$ 20,330	\$ 13,045
Community Foundation	-	5,000
Middle Tennessee Tourism Council	-	600
Total grants revenue	<u>\$ 20,330</u>	<u>\$ 18,645</u>

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at historical cost or, if contributed, at estimated fair value at the date of receipt. Property and equipment acquired with a unit cost of \$500 or greater and a useful life of more than one year are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expense as incurred. Capitalized assets are depreciated over their estimated useful lives using the straight-line method.

Accrued Compensated Absences

There are no personnel policies that allow for annual leave. Therefore compensated absences are not accrued.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to support the Roxy's programs, principally in fundraising. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC Codification 958-605-50 have not been satisfied.

Advertising Costs

All advertising costs are expensed as incurred. The Roxy incurred and expensed \$32,732 and \$34,155 for advertising costs during the years ended August 31, 2019 and 2018, respectively.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Roxy implemented ASU 2016-14 and the presentation in these financial statements has been adjusted accordingly. The ASU has been applied retrospectively to all periods presented which changed the headings in the statement of activities for the year ended June 30, 2018.

Date of Management's Review

Subsequent events have been evaluated through January 29, 2020, which is the date the financial statements were available to be issued.

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
AUGUST 31, 2019 AND 2018

2. Cash and Cash Equivalents

Cash and cash equivalents was represented by bank deposits in a financial institution totaling \$18,228 and \$24,706 at August 31, 2019 and 2018, respectively. All of these amounts were insured by the Federal Deposit Insurance Corporation.

3. Related-Party Payables

During the years ended August 31, 2016 and 2015, the Roxy borrowed funds from the former executive director for general operating expenses. At August 31, 2019 and 2018, the balance due to the former executive director was \$17,052 and \$22,052, respectively. During the year ended August 31, 2016, the Roxy agreed to pay the former artistic director a severance package of \$10,000. At August 31, 2019 and 2018, the balance due to the former artistic director was \$-0- and \$1,500, respectively. The Roxy agreed to repay \$500 per month on each balance as funds permitted beginning February 2017.

Expected future payments on the related-party payables are as follows:

<u>Year Ending</u> <u>August 31,</u>	<u>Amount</u>
2020	\$ 6,000
2021	6,000
2022	<u>5,052</u>
	17,052
Less: current portion	<u>6,000</u>
Total long-term portion of related-party payables	<u><u>\$ 11,052</u></u>

4. Notes Payable

Notes payable consisted of the following:

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
4.50% note payable to bank, secured by real estate with a carrying amount of \$138,214 at August 31, 2019, payable in monthly installments of \$1,807 in principal and interest, through May 2041.	<u>\$ 298,895</u>	<u>\$ 306,755</u>
	298,895	306,755
Less: current portion	<u>8,065</u>	<u>8,065</u>
Total long-term portion of notes payable	<u><u>\$ 290,830</u></u>	<u><u>\$ 298,690</u></u>

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
AUGUST 31, 2019 AND 2018

4. Notes Payable (Cont'd)

Future payments on notes payable are as follows:

<u>Year Ending</u> <u>August 31,</u>	<u>Amount</u>
2020	\$ 8,065
2021	8,830
2022	9,236
2023	9,660
2024	10,104
Thereafter	<u>253,000</u>
	<u>\$ 298,895</u>

Cash payments for interest were \$14,657 and \$14,809 for the years ended August 31, 2019 and 2018, respectively.

5. In-Kind Donations

The Roxy receives in-kind donations. Included in the statement of activities is \$22,270 and \$19,545 in revenue and expense for advertising-related services received from a local newspaper, magazine and printer for the years ended August 31, 2019 and 2018, respectively.

6. Contingencies

The Roxy's exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years. A lien was filed against the building by the previous executive director and artistic director for \$330,000 should the building ever be sold. During the year ended August 31, 2017, the previous executive director and artistic director agreed to accept the amount remaining after all liabilities have been paid should the building be sold, even if that amount was less than \$330,000.

7. Land Purchase Option

During the fiscal year ending August 31, 2007, the Roxy purchased an option from the City of Clarksville, Tennessee, to purchase unimproved real estate located adjacent to the theater. The option was purchased for \$100. This option is contingent upon providing proof of deposits with a financial institution holding of at least five million dollars and two other minor contingencies. This option expired on June 1, 2013 but was extended indefinitely until a decision is reached by the City.

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
AUGUST 31, 2019 AND 2018

8. Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date is comprised of the following as of August 31, 2019:

Unrestricted cash	\$ 9,466
Grants receivable	<u>4,075</u>
	<u>\$ 13,531</u>

See Note 9 for how the Roxy intends to cover the deficit of current assets in comparison to current liabilities.

9. Subsequent Events

In November 2019, the Board of Directors approved obtaining a line of credit for \$50,000 to pay for outstanding liabilities. In January 2020, the Board of Directors accepted an offer from the City of Clarksville to buy the building from the Roxy for \$810,000. The proceeds from the sale will be used to pay off all outstanding liabilities, as well as to satisfy the lien by the previous executive director and artistic director totaling \$330,000.