

ROXY PRODUCTIONS, INC.
AUDITED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2009 AND 2008



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Roxy Productions, Inc.
Clarksville, Tennessee

We have audited the accompanying statements of financial position of Roxy Productions, Inc. (Roxy) (a nonprofit organization) as of August 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Roxy'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. 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 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.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Roxy Productions, Inc. as of August 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Stone Rudolph & Henry, PLC

January 11, 2010

ROXY PRODUCTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents		
Unrestricted	\$ -	\$ 6,068
Temporary Restricted	894	12,355
Grant Receivable	18,458	16,963
Contributions Receivable	16,666	16,666
Total Current Assets	<u>36,018</u>	<u>52,052</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	55,770	55,770
Building	137,876	137,876
Equipment	62,312	62,312
Improvements	75,689	75,689
Total Property and Equipment	<u>331,647</u>	<u>331,647</u>
Less: Accumulated Depreciation	142,679	131,657
Net Property and Equipment	<u>188,968</u>	<u>199,990</u>
 Total Assets	 <u>\$ 224,986</u>	 <u>\$ 252,042</u>

LIABILITIES AND NET ASSETS (DEFICIT)

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 12,876	\$ 10,560
Payroll Taxes Payable	5,967	-
Line of Credit	50,573	24,802
Current Portion of Notes Payable	13,412	6,733
Total Current Liabilities	<u>82,828</u>	<u>42,095</u>
<u>LONG-TERM LIABILITIES</u>		
Notes Payable	145,369	152,240
Total Liabilities	<u>228,197</u>	<u>194,335</u>
<u>NET ASSETS (DEFICIT)</u>		
Unrestricted	(5,141)	45,352
Temporarily Restricted	1,930	12,355
Total Net Assets (Deficit)	<u>(3,211)</u>	<u>57,707</u>
 Total Liabilities and Net Assets (Deficit)	 <u>\$ 224,986</u>	 <u>\$ 252,042</u>

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

ROXY PRODUCTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>UNRESTRICTED NET ASSETS</u>		
Revenue		
Admissions	\$ 277,862	\$ 325,116
Contributions	136,487	152,532
Grants	54,395	45,853
Advertising Space	2,540	5,141
Other	9,339	6,981
Net Assets Released From Restriction	26,780	4,350
Total Unrestricted Revenue	<u>507,403</u>	<u>539,973</u>
Expenses		
Program		
Actor's Housing	14,785	28,933
Dues	1,404	4,611
Production	193,085	199,306
Royalties	30,910	34,317
Total Program Expense	<u>240,184</u>	<u>267,167</u>
Management and General		
Advertising	52,767	60,478
Bank Fees	2,722	957
Depreciation	11,022	11,395
Development	27,728	-
Insurance	12,316	16,930
Interest	18,209	14,793
Janitorial	3,700	3,138
Miscellaneous	9,056	14,131
Maintenance	2,470	2,705
Office	5,745	6,813
Payroll Taxes	8,365	5,846
Postage	1,302	3,436
Professional Services	12,931	9,530
Salaries	103,629	76,437
Travel	1,653	800
Utilities	32,136	27,070
Total Management and General Expense	<u>305,751</u>	<u>254,459</u>

ROXY PRODUCTIONS, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Fundraising	<u>11,961</u>	<u>8,479</u>
Total Expenses	<u>557,896</u>	<u>530,105</u>
Net Increase (Decrease) in Unrestricted Net Assets	<u>(50,493)</u>	<u>9,868</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Building Fund Contributions	16,355	8,850
Net Assets Released From Restriction	<u>(26,780)</u>	<u>(4,350)</u>
Net Increase (Decrease) in Temporarily Restricted Net Assets	<u>(10,425)</u>	<u>4,500</u>
<u>CHANGE IN NET ASSETS</u>	<u>(60,918)</u>	<u>14,368</u>
<u>NET ASSETS - BEGINNING OF YEAR</u> <u>AS PREVIOUSLY REPORTED</u>	57,707	28,339
<u>PRIOR PERIOD ADJUSTEMENT - SEE NOTE 10</u>	<u>-</u>	<u>15,000</u>
<u>NET ASSETS - BEGINNING OF YEAR</u> <u>AS RESTATED</u>	<u>57,707</u>	<u>43,339</u>
<u>NET ASSETS (DEFICIT) - END OF YEAR</u>	<u>\$ (3,211)</u>	<u>\$ 57,707</u>

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

ROXY PRODUCTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (60,918)	\$ 14,368
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,022	11,395
Changes in:		
Accounts Receivable	-	1,000
Contributions Receivable	-	(833)
Grant Receivable	(1,495)	(1,963)
Accounts Payable	2,316	3,945
Payroll Taxes Payable	5,967	-
Net cash provided by (used in) operating activities	<u>(43,108)</u>	<u>27,912</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Leasehold Improvements	-	(16,845)
Net cash used in investing activities	<u>-</u>	<u>(16,845)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Notes Payable	10,500	42,000
Repayment of Notes Payable	(10,692)	(53,740)
Proceeds from Line of Credit	48,000	-
Repayment of Line of Credit	(22,229)	-
Net cash provided by (used in) financing activities	<u>25,579</u>	<u>(11,740)</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(17,529)</u>	<u>(673)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>18,423</u>	<u>19,096</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 894</u>	<u>\$ 18,423</u>

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

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Organization and Nature of Activities

Roxy Productions, Inc. (Roxy), a non-profit organization, was granted a charter from the State of Tennessee on August 12, 1985. The Roxy's objective is to produce live plays and other entertainment for the social and educational benefit of Clarksville, Montgomery County and the surrounding areas. The Roxy's operations are controlled by a board of directors.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those variances could be material to the financial statements.

c. 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.

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental not-for-profit organizations such as the Roxy. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the organization to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows.

(1) Unrestricted

Contributions are recorded as unrestricted revenue if that gift will be spent within the operating cycle or other expenses will be incurred which satisfy the restrictions (if any) of the gift.

(2) Temporarily Restricted

Gifts and pledges for which donor-imposed restrictions have not been met at the statement date are considered temporarily restricted. The Roxy had \$894 and \$12,355 in temporarily restricted net assets at August 31, 2009 and 2008.

(3) Permanently Restricted

Gifts and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions are considered permanently restricted. The Roxy had no permanently restricted net assets at August 31, 2009 and 2008.

d. Concentrations of Credit Risk

Financial instruments that are potentially subject to significant concentrations of credit risk consist principally of cash and contributions and grants receivable. The maximum loss due to credit risk is \$41,666 at August 31, 2009. The Roxy places its cash with federally-insured financial institutions.

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

e. Cash and Cash Equivalents

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

f. Contributions and Grants Receivable

Contributions receivable consist of amounts receivable from the City of Clarksville. The Roxy does not solicit pledges. Other contributions are recorded as received. Contributions receivable are not evidenced by any form of collateral.

Grants receivable consist 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.

There is no allowance for uncollectible receivables at August 31, 2009.

h. 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 life using the straight line method.

i. Accrued Compensated Absences

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

j. Donated Services

The Roxy has a number of volunteers which have donated their time during the year. However, these donated services have not been reflected in these financial statements as revenues or expenses due to the complexity involved in placing a value on the services.

k. In-Kind Donations

The Roxy receives in-kind donations. Included in the statement of activities is \$41,734 and \$49,627 in revenue and expense for advertising services received from a local newspaper for the years ended August 31, 2009 and 2008, respectively. Also included in the statement of activities is \$12,015 in revenue and expense for the housing of actors while performing at the Roxy by a local hotel for the year ended August 31, 2008.

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

l. Income Tax Status

The Roxy is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

m. Date of Management's Review

Subsequent events have been evaluated through January 11, 2010, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

At August 31, 2009 and 2008, cash and cash equivalents was represented by bank deposits of \$8,561 and \$26,690, respectively, all of which was covered by FDIC insurance.

3. Line of Credit

The Roxy has a bank line of credit secured by the theater building in the amount of \$51,000, of which \$427 remains unused. The line of credit requires monthly interest payments and has a variable interest rate which was 5.50% at August 31, 2009. The line of credit is due to be paid in full on September 3, 2010.

4. Notes Payable

Notes Payable consists of the following:

	<u>August 31,</u>	
	<u>2009</u>	<u>2008</u>
Unsecured, interest-free short term note payable to an individual.	\$ 1,500	\$ -
Unsecured, interest-free short term note payable to an individual.	5,000	-
Note payable to bank, secured by land and building, refinanced in March 2007, payable in 36 monthly installments of \$1,613, and 144 monthly installments of payments of \$1,804 with interest accruing at a variable rate of 2.0% above the prime rate which is adjusted every three years. The next rate adjustment is due in June 2010. The rate at August 31, 2009 was 8.0%.	<u>152,281</u>	<u>158,973</u>
Total Notes Payable	158,781	158,973
Less : Current Portion	<u>13,412</u>	<u>6,733</u>
Total Long-Term Portion of Notes Payable	<u>\$ 145,369</u>	<u>\$ 152,240</u>

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

4. Notes Payable (Cont'd)

Future payments on notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>
2009	13,412	12,618
2010	6,819	13,490
2011	6,803	14,845
2012	7,549	14,099
2013	8,377	13,271
2014-2018	57,860	50,380
2019-2022	57,961	13,105
	<u>\$ 158,781</u>	<u>\$ 131,808</u>

Cash payments for interest were \$18,209 and \$14,793 for the years ended August 31, 2009 and 2008, respectively.

5. Support

The Roxy received funding from the City of Clarksville totaling \$20,000 for years ended August 31, 2009 and 2008.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the design and construction of a new theater building. Net assets of \$26,780 and \$4,350 were released from donor restrictions by incurring expenses satisfying the purpose specified by donors during the years ended August 31, 2009 and 2008, respectively.

7. 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.

8. 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 June 1, 2009.

9. Noncompliance with Donor Restrictions

As of August 31, 2009, the Roxy had \$1,930 of temporarily restricted net assets; however the Roxy only had \$894 of cash and cash equivalents to restrict. The Organization intends to temporarily restrict the remaining \$1,036 when the funds are again available. The Organization's management anticipates that the donor will not require the contribution to be returned to the donor, and accordingly, no provision has been made for any liabilities that might arise.

ROXY PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

10. Prior Period Adjustments

Net assets and grant receivable were adjusted as of September 1, 2007 to correct an accounting error that occurred in previous years. The error resulted from a failure to properly accrue portions of grant revenue that were earned each year, but not received as of year end.

The effect of the change in unrestricted net assets and financial position as of and for the year ended August 31, 2008, are as follows:

	<u>As Previously Reported</u>	<u>Restated</u>
Grant Revenue	\$ 43,890	\$ 45,853
Change in Net Assets	12,405	14,368
Grant Receivable	\$ -	\$ 16,963
Net assets	40,744	57,707

The effect of the change in financial position as of September 1, 2007, are as follows:

	<u>As Previously Reported</u>	<u>Restated</u>
Grant Receivable	\$ -	\$ 15,000
Net assets	28,339	43,339