

ROXY PRODUCTIONS, INC.  
AUDITED FINANCIAL STATEMENTS AND OTHER INFORMATION  
JUNE 30, 2021 AND 2020

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ROXY PRODUCTIONS, INC.  
SCHEDULE OF BOARD OF DIRECTORS AND MANAGEMENT (UNAUDITED)  
JUNE 30, 2021

BOARD OF DIRECTORS

Ms. Stacy Turner	Chair
Mr. Kurt Kowalski	Vice-Chair
Ms. Stephanie Stafford	Secretary
Ms. Nancy Ladd	Treasurer
Ms. Sara Anderson	Member
Mr. Joseph Britton	Member
Ms. Nancye Britton	Member
Mr. Stuart Fillmore	Member
Mr. Charlie Foust	Member
Ms. Andrea Herrera	Member
Ms. Jody Isaacs	Member
Mr. Anthony Johnson	Member
Ms. Kris Lee	Member
Mr. Darren Michael	Member
Mr. Gary Norris	Member
Ms. Amanda Pitt	Member
Ms. Melissa Schaffner	Member
Ms. Jennifer Scribner	Member
Ms. Jerica Swiger	Member
Mr. Randy Whetsell	Member
Ms. Kimberly Wiggins	Member

MANAGEMENT

Mr. Ryan Bowie	Executive Director
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Roxy Productions, Inc. (the Roxy), a component unit of the City of Clarksville, Tennessee, as of June 30, 2021 and 2020, and for the year ended June 30, 2021 and the 10 months ended June 30, 2020, as listed in the table of contents.

### ***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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.



## ***Opinions***

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the Roxy as of June 30, 2021 and 2020, and the respective changes in its financial position and cash flows for the year ended June 30, 2021 and the 10 months ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Information***

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Roxy's basic financial statements. The introductory section and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of federal and state financial assistance and the schedule of changes in long-term debt by individual issue are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of federal and state financial assistance and the schedule of changes in long-term debt by individual issue are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the Roxy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Roxy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Roxy's internal control over financial reporting and compliance.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee

September 23, 2021

ROXY PRODUCTIONS, INC.  
STATEMENTS OF NET POSITION  
JUNE 30, 2021 AND 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 252,350	\$ 14,449
Loan receivable	-	35,000
Prepaid expenses	22,072	2,299
Total current assets	<u>274,422</u>	<u>51,748</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	-	55,770
Building	-	147,916
Equipment	29,386	66,580
Improvements	-	100,189
Total property and equipment	<u>29,386</u>	<u>370,455</u>
Less: accumulated depreciation	<u>29,386</u>	<u>237,437</u>
Net property and equipment	<u>-</u>	<u>133,018</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 274,422</u></u>	 <u><u>\$ 184,766</u></u>

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2021</u>	<u>2020</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 4,865	\$ 15,779
Payroll taxes payable	3,061	2,978
Deferred revenue	5,000	-
Line of credit	-	47,090
Current portion of related-party payables	-	6,000
Current portion of notes payable	-	43,442
Total current liabilities	<u>12,926</u>	<u>115,289</u>
<u>LONG-TERM LIABILITIES</u>		
Related-party payables	-	9,052
Notes payable	<u>30,328</u>	<u>315,365</u>
Total long-term liabilities	<u>30,328</u>	<u>324,417</u>
Total liabilities	<u>43,254</u>	<u>439,706</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
<u>NET POSITION (DEFICIT)</u>		
Net investment in capital assets	-	(195,462)
Unrestricted	<u>231,168</u>	<u>(59,478)</u>
Total net position (deficit)	<u>231,168</u>	<u>(254,940)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 274,422</u>	<u>\$ 184,766</u>

ROXY PRODUCTIONS, INC.  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2021 AND 10 MONTHS ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
<u>OPERATING REVENUES</u>		
Admissions	\$ 10,022	\$ 207,605
City of Clarksville appropriations	180,000	-
Donated use of building	25,588	-
Contributions	114,073	129,735
Grants	34,550	17,125
Advertising and sponsorships	25,624	11,620
Education programs	28,698	28,983
Concessions	4,122	7,314
Other	8,389	897
Total operating revenue	<u>431,066</u>	<u>403,279</u>
<u>OPERATING EXPENSES</u>		
Actor's housing	15,400	14,000
Advertising	20,543	27,020
Bank fees	1,815	3,954
Depreciation	5,083	6,422
Education programs	16,270	7,554
Film series	2,997	1,560
Fundraising	7,883	10,288
Insurance	2,880	6,065
Maintenance	4,241	8,746
Miscellaneous	233	510
Office	13,042	12,161
Payroll taxes	11,351	6,959
Production	18,404	137,219
Professional services	13,200	24,000
Rent	25,588	-
Royalties	3,427	24,425
Salaries	135,605	106,762
Ticket fees	1,972	8,931
Utilities	15,284	23,306
Total operating expenses	<u>315,218</u>	<u>429,882</u>
<u>OPERATING INCOME (LOSS)</u>	<u>115,848</u>	<u>(26,603)</u>

(Continued)

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

ROXY PRODUCTIONS, INC.  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONT'D)  
YEAR ENDED JUNE 30, 2021 AND 10 MONTHS ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Gain on sale of property	681,771	-
Gain on extinguishment of debt	30,327	-
Former directors' severance	(330,000)	-
Interest expense	(11,838)	(13,211)
Total non-operating revenues (expenses)	<u>370,260</u>	<u>(13,211)</u>
<u>CHANGE IN NET POSITION</u>	486,108	(39,814)
<u>NET POSITION (DEFICIT) - BEGINNING</u>	<u>(254,940)</u>	<u>(215,126)</u>
<u>NET POSITION (DEFICIT) - ENDING</u>	<u>\$ 231,168</u>	<u>\$ (254,940)</u>

(Concluded)

ROXY PRODUCTIONS, INC.  
STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021 AND 10 MONTHS ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from patrons	\$ 51,231	\$ 244,799
Cash received from City of Clarksville	180,000	-
Cash received from contributors	175,227	101,705
Cash paid to suppliers of goods and services	(140,526)	(326,550)
Cash paid to employees for services	(135,605)	(106,762)
Net cash provided by (used in) operating activities	<u>130,327</u>	<u>(86,808)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Related-party payables	(15,052)	(2,000)
Proceeds from (repayments of) line of credit	(47,090)	47,090
Proceeds from notes payable	30,328	65,327
Net cash provided by (used in) noncapital financing activities	<u>(31,814)</u>	<u>110,417</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from sale of property	479,706	-
Repayment of notes payable	(328,480)	(5,415)
Interest paid	(11,838)	(13,211)
Net cash provided by (used in) capital and related financing activities	<u>139,388</u>	<u>(18,626)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	237,901	4,983
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>14,449</u>	<u>9,466</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 252,350</u>	<u>\$ 14,449</u>

(Continued)

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

ROXY PRODUCTIONS, INC.  
STATEMENTS OF CASH FLOWS (CONT'D)  
YEAR ENDED JUNE 30, 2021 AND 10 MONTHS ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>		
<u>TO NET CASH PROVIDED BY (USED IN)</u>		
<u>OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 115,848	\$ (26,603)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	5,083	6,422
Changes in:		
Loan receivable	35,000	(35,000)
Grant receivable	-	4,075
Prepaid expenses	(19,773)	31,954
Accounts payable	(10,914)	(64,644)
Payroll taxes payable	83	(3,012)
Deferred revenue	5,000	-
Net cash provided by (used in) operating activities	<u>\$ 130,327</u>	<u>\$ (86,808)</u>

Supplemental Disclosure on Non-Cash Activity

Paycheck Protection Program loan forgiveness	\$ 30,327	\$ -
In-Kind rent from City of Clarksville	\$ 25,588	\$ -
In-Kind donations/services	\$ 34,020	\$ 25,850

(Concluded)



ROXY PRODUCTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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.

During the year ended June 30, 2021, the Roxy became a component unit of the City of Clarksville, Tennessee (the City), which is the principal reporting entity and primary government. The City is responsible for appointing the majority of the Roxy's board of directors and provides its primary funding support.

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 differ from estimates in the near term and variances can have a material effect on the financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Roxy to significant concentrations of credit risk consist principally of cash and receivables. The Roxy places its cash with federally-insured financial institutions. Loan receivable consisted of an amount pledged from the Clarksville-Montgomery County Economic Development Council for a temporary loan to help sustain operations; no collateral was obtained.

Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. Due to the nature of the Roxy, operations were significantly impacted in that live performances ceased from March 2020 through September 2021. No adjustments have been made to these financial statements as a result of this uncertainty.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

ROXY PRODUCTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2021 AND 2020

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

Measurement Focus/Basis of Accounting (Cont'd)

The financial statements of the Roxy have been prepared using the economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Cash and Cash Equivalents

The Roxy considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents. Cash payments for interest were \$11,838 and \$13,211 for the year ended June 30, 2021 and ten months ended June 30, 2020, respectively.

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.

Restricted Net Position

When both restricted and unrestricted resources are available for use, it is the Roxy's policy to use restricted resources first, then unrestricted resources as needed.

Accrued Compensated Absences

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

Tax-Exempt Status

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, 2018.

Revenues and Support

Operating income includes revenues and expenses related to the primary, continuing operations. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Contributions are generally available for unrestricted use in the current fiscal year unless specifically restricted by the donor. Unconditional promises to give are recorded as received.

ROXY PRODUCTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2021 AND 2020

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

Revenues and Support (Cont'd)

Grants revenue for the year ended June 30, 2021 and ten months ended June 30 2020, was from the following sources:

	<u>2021</u>	<u>2020</u>
Tennessee Arts Commission	\$ 34,550	\$ 14,125
Community Foundation	<u>-</u>	<u>3,000</u>
Total grants revenue	<u>\$ 34,550</u>	<u>\$ 17,125</u>

Contributions of noncash assets, use of facilities (see Note 4) and advertising services are recognized as economic resources and are recorded at their fair values in the period received. A substantial number of unpaid volunteers have made significant contributions of their time to support the Roxy's programs, principally in fundraising. None of these services were recognized as income or expense in these financial statements.

Concentrations of Revenue

Funding from the City of Clarksville was \$180,000 and \$-0- and accounted for 42% and 0% of total operating revenues for the year ended June 30, 2021 and ten months ended June 30, 2020, respectively. Revenues from admissions was \$8,944 and \$207,605 and accounted for 2% and 51% of total operating revenues for the year ended June 30, 2021 and ten months ended June 30, 2020, respectively. A major reduction in funding from the City of Clarksville or admissions revenue could have a significant effect on the future operations of the Roxy.

Budgets and Budgetary Accounting

The Roxy follows these procedures in establishing its budgetary data (not reflected in the financial statements):

- (1) The budget document is approved by the board of directors. The primary planning tool used is the actual and projected revenues and expenditures of the immediately preceding year. The budget is approved by broad category.
- (2) Unused budgetary appropriations lapse at the end of the year.

Advertising Costs

All advertising costs are expensed as incurred. The Roxy incurred and expensed \$20,543 and \$27,020 for advertising costs during the year ended June 30, 2021 and ten months ended June 30, 2020, respectively.

Date of Management's Review

Subsequent events have been evaluated through September 23, 2021, which is the date the financial statements were available to be issued.

ROXY PRODUCTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2021 AND 2020

2. Cash and Cash Equivalents

At June 30, 2021 and 2020, cash and cash equivalents were represented by deposits in a financial institution totaling \$260,311 and \$21,440, respectively, of which \$250,000 and \$21,440, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC) and \$10,311 and \$-0-, respectively, was uninsured.

3. Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
<u>Property and Equipment</u>				
Land	\$ 55,770	\$ -	\$ 55,770	\$ -
Building	147,916	-	147,916	-
Equipment	66,580	-	37,194	29,386
Improvements	100,189	-	100,189	-
Total property and equipment	<u>\$ 370,455</u>	<u>\$ -</u>	<u>\$ 341,069</u>	<u>\$ 29,386</u>

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
<u>Accumulated Depreciation</u>				
Building	\$ 90,449	\$ 2,935	\$ 93,384	\$ -
Equipment	66,065	515	37,194	29,386
Improvements	80,923	1,633	82,556	-
Total accumulated depreciation	<u>\$ 237,437</u>	<u>\$ 5,083</u>	<u>\$ 213,134</u>	<u>\$ 29,386</u>

A summary of changes in property and equipment for the 10 months ended June 30, 2020 is as follows:

	Balance September 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Property and Equipment</u>				
Land	\$ 55,770	\$ -	\$ -	\$ 55,770
Building	147,916	-	-	147,916
Equipment	66,580	-	-	66,580
Improvements	100,189	-	-	100,189
Total property and equipment	<u>\$ 370,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,455</u>

	Balance September 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Accumulated Depreciation</u>				
Building	\$ 86,780	\$ 3,669	\$ -	\$ 90,449
Equipment	65,354	711	-	66,065
Improvements	78,881	2,042	-	80,923
Total accumulated depreciation	<u>\$ 231,015</u>	<u>\$ 6,422</u>	<u>\$ -</u>	<u>\$ 237,437</u>

ROXY PRODUCTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2021 AND 2020

4. Related-Party Transactions

During the years ended August 31, 2016 and 2015, the Roxy borrowed funds from the former executive director for general operating expenses to be repaid \$500 per month as funds permitted beginning February 2017. At June 30, 2021 and 2020, the balance due to the former executive director was \$-0- and \$15,052, respectively. During the year ended June 30, 2021, the balance was paid off. A lien was filed against the building by the former executive director and artistic director for \$330,000 should the building ever be sold. Since the building was sold during the year ended June 30, 2021 (see below), the \$330,000 was paid to the former directors and included as a non-operating expense as former directors' severance. Subsequently, the lien was released. During the year ended June 30, 2021 and ten months ended June 30, 2020, the Roxy rented a house from the current executive director for \$15,400 and \$14,000, respectively.

During the year ended June 30, 2021, the City of Clarksville purchased the building from the Roxy for \$810,000. Subsequently, the building was leased by the Roxy from the City of Clarksville for \$1 per year for 25 years beginning March 1, 2021. The fair rental value of the building was \$25,588 for the inception of the lease through June 30, 2021 and was recognized as rent expense. The fair rental value of the building was determined by considering the age and condition of the buildings and the cost of rental space for property in the same vicinity.

5. Notes Payable

Notes payable consisted of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
4.50% note payable to bank, secured by real estate, payable in monthly installments of \$1,807 in principal and interest, through May 2041; paid off in 2021.	\$ -	\$ 293,480
1.00% unsecured note payable under the Paycheck Protection Program (PPP) maturing April 2022; forgiven in 2021.	-	30,327
Noninterest bearing note payable to the Clarksville-Montgomery County Economic Development Council maturing June 30, 2021; paid off in 2021.	-	35,000
1.00% unsecured note payable under the Paycheck Protection Program (PPP), maturing April 2026.	<u>30,328</u>	<u>-</u>
	30,328	358,807
Less: current portion	<u>-</u>	<u>43,442</u>
Total long-term portion of notes payable	<u>\$ 30,328</u>	<u>\$ 315,365</u>

ROXY PRODUCTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2021 AND 2020

5. Notes Payable (Cont'd)

On April 21, 2020, the Roxy received loan proceeds in the amount of \$30,327 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The loan was forgiven in 2021.

On April 19, 2021, the Roxy received a second PPP loan in the amount of \$30,328. The unforgiven portion of the PPP loan is a note payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. The Roxy intends to use the proceeds for purposes consistent with the PPP. While the Roxy currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the Roxy cannot make absolute assurances that actions will not be taken that could cause the Roxy to be ineligible for forgiveness of the loan, in whole or in part, and have therefore included the entire portion as a long-term note payable at June 30, 2021.

Following are the changes in long-term debt for the year ended June 30, 2021:

	Balance			Balance	Estimated Amount Due
	July 1, 2020	Increases	Decreases	June 30, 2021	Year Ending June 30, 2022
Notes payable	\$ 358,807	\$ 30,328	\$ 358,807	\$ 30,328	\$ -0-

Following are the changes in long-term debt for the 10 months ended June 30, 2020:

	Balance			Balance	Estimated Amount Due
	September 1, 2019	Increases	Decreases	June 30, 2020	Year Ending June 30, 2021
Note payable	\$ 298,895	\$ 65,327	\$ 5,415	\$ 358,807	\$ 43,442

Future payments on long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2022-2025	\$ -	\$ -
2026	30,328	303
Total	\$ 30,328	\$ 303

ROXY PRODUCTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2021 AND 2020

6. Line of Credit

The Roxy had a \$50,000 unsecured line of credit, of which \$2,910 was unused at June 30, 2020. Interest payments were due monthly and calculated on a variable rate of interest which was 5.00% at June 30, 2020. The line of credit was paid off and closed in 2021.

7. Deficit fund position

At June 30, 2020, the Roxy had a net deficit of \$254,940. With the sale of the building during the year ended June 30, 2021, and funding from the City of Clarksville, management expects to maintain positive net position.

8. Commitments and 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.

9. Subsequent Event

In July 2021, the Roxy received the Shuttered Venues Operators Grant through the United States Small Business Administration in the amount of \$158,658.

ROXY PRODUCTIONS, INC.  
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2021

<u>Grantor/Program Title</u>	<u>Grant Number or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable July 1, 2020</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2021</u>
<u>National Endowment for the Arts</u>						
Passed through State of Tennessee Tennessee Arts Commission	31625-10336	45.025	\$ -	\$ 4,000	\$ 4,000	\$ -
Total Federal Financial Assistance			-	4,000	4,000	-
<u>State of Tennessee, Tennessee Arts Commission</u>						
Arts Program Categorical Grants	31625-10336	N/A	-	30,550	30,550	-
Total State Financial Assistance			-	30,550	30,550	-
Total Federal and State Assistance			\$ -	\$ 34,550	\$ 34,550	\$ -

See accompanying note to schedule of federal and state financial assistance.



ROXY PRODUCTIONS, INC.  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
10 MONTHS ENDED JUNE 30, 2020

<u>Grantor/Program Title</u>	<u>Grant Number or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable September 1, 2019</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2020</u>
<u>State of Tennessee, Tennessee Arts Commission</u>						
Arts Program Categorical Grants	31625-07699	N/A	\$ 4,075	\$ 18,200	\$ 14,125	\$ -
Total State Financial Assistance			<u>\$ 4,075</u>	<u>\$ 18,200</u>	<u>\$ 14,125</u>	<u>\$ -</u>

See accompanying note to schedule of state financial assistance.

ROXY PRODUCTIONS, INC.  
NOTE TO SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying schedules of federal and state financial assistance are presented on the accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of the State of Tennessee, Department of Audit, Audit Manual. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

ROXY PRODUCTIONS, INC.  
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
JUNE 30, 2021

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding July 1, 2020</u>	<u>Issued During Period</u>	<u>Paid or Forgiven During Period</u>	<u>Outstanding June 30, 2021</u>
<u>NOTES PAYABLE</u>								
F&M Bank loan	\$ 323,000	4.50%	5/6/2016	4/22/2041	\$ 293,480	\$ -	\$ 293,480	\$ -
Clarksville-Montgomery County Economic Development Council loan	\$ 35,000	0.00%	6/30/2020	6/30/2021	35,000	-	35,000	-
Paycheck Protection Program loan 1	\$ 30,327	1.00%	4/21/2020	4/21/2022	30,327	-	30,327	-
Paycheck Protection Program loan 2	\$ 30,328	1.00%	4/19/2021	4/19/2026	-	30,328	-	30,328
Total notes payable					<u>\$ 358,807</u>	<u>\$ 30,328</u>	<u>\$ 358,807</u>	<u>\$ 30,328</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Roxy Productions, Inc. (the Roxy), a component unit of the City of Clarksville, Tennessee, as of June 30, 2021 and 2020, and for the year ended June 30, 2021 and the ten months ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Roxy's basic financial statements and have issued our report thereon dated September 23, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Roxy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Roxy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Roxy's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described as item 2021-001 in the accompanying schedule of findings and responses, that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Roxy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The Roxy's Response to Finding**

The Roxy's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Roxy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Roxy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Roxy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee

September 23, 2021

ROXY PRODUCTIONS, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
22 MONTHS ENDED JUNE 30, 2021

FINDINGS RELATED TO INTERNAL CONTROL

2021-001 (Recurring Finding) Management Oversight of Financial Reporting

Condition: The Roxy lacks management oversight over the financial reporting processes for the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). In addition, eleven adjusting entries and nine reclassifying entries were required for the financial statements to be presented in conformity with GAAP.

Criteria: Proper management oversight over financial reporting should include the preparation of the financial statements and footnote disclosures in conformity with GAAP.

Effect: The financial statements and footnote disclosures may not be in conformity with GAAP.

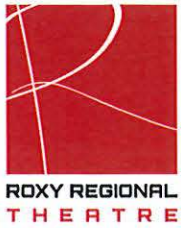
Recommendation: We recommend that management implement procedures to ensure that the financial statements are prepared in conformity with GAAP.

Management Response: Management finds it to be cost beneficial for the financial statements to be prepared by Stone, Rudolph and Henry, PLC as part of the audit engagement. We believe that our knowledge and experience enable us to review the financial statements and understand them fully. We take full responsibility for the financial statements and all adjusting and reclassification entries.

ROXY PRODUCTIONS, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021

Financial Statement Findings

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2019-001	Management Oversight Over Financial Reporting (original finding #2011-001)	Repeated



## MANAGEMENT'S CORRECTIVE ACTION PLAN

### FINDING 2021-001

Contact person: Ryan Bowie

Corrective action planned: We find it to be cost beneficial for the financial statements to be prepared by Stone, Rudolph and Henry, PLC as part of the audit engagement. We believe that our knowledge and experience enable us to review the financial statements and understand them fully. We take full responsibility for the financial statements and all adjusting and reclassification journal entries.

Anticipated completion date: June 30, 2022.

A handwritten signature in black ink, appearing to be "RB", is written over a horizontal line.

Ryan Bowie, Executive Director