

AUDIT REPORT

OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER COMMUNITY TRUST

MUSKOGEE, OKLAHOMA

JUNE 30, 2020

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: RK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER
COMMUNITY TRUST
JUNE 30, 2020**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS:

BALANCE SHEET	EXHIBIT A
STATEMENT OF ACTIVITIES	EXHIBIT B
STATEMENT OF CHANGES IN ACCUMULATED EQUITY (DEFICIT)	EXHIBIT C
STATEMENT OF CASH FLOWS	EXHIBIT D

NOTES TO THE FINANCIAL STATEMENTS

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: RK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

INDEPENDENT AUDITOR'S REPORT

**To the Management of Oxford Productions, Inc.'s
Operation of the Roxy Theater Community Trust
Muskogee, Oklahoma**

Report on the Financial Statements

We have audited the accompanying financial statements of Oxford Productions, Inc.'s (an Oklahoma corporation) Operation of the Roxy Theater Community Trust (a municipally owned Trust) as of and for the year ended June 30, 2020, as listed in the table of contents 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 the 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 audit. We conducted our audit 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 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 above present fairly, in all material respects, the respective financial position of Oxford Productions, Inc.'s Operation of the Roxy Theater Community Trust as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

Emphasis of Matter

As described in Note 1, these financial statements are intended to represent only that segment of Oxford Productions, Inc.'s operation of the facility, that pertains to the transactions that relate to its contract with the Roxy Theater Community Trust. They do not purport to, and do not, present fairly the financial position of Oxford Productions, Inc. as of June 30, 2020 and the changes in its financial position and its cash flows, where applicable, for the period then ended, in accordance with accounting principles generally accepted in the United States of America.

Kershaw CPA & Associates, P.C.
Kershaw, CPA & Associates, PC

December 1, 2020

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER COMMUNITY TRUST
MUSKOGEE, OKLAHOMA
BALANCE SHEET
As of June 30, 2020**

ASSETS**Current Assets:**

Cash and cash equivalents	
Cash	\$ 7,831
Building fund, restricted	251
Accounts receivable, net	3,386
Prepaid expenses	1,015
Total Current Assets	<u>12,483</u>

Noncurrent Assets:

Property, plant and equipment, net	<u>12,496</u>
------------------------------------	---------------

TOTAL ASSETS	<u><u>24,979</u></u>
---------------------	----------------------

LIABILITIES & EQUITY**Current Liabilities:**

Accounts payable	409
Customer's deposit	150
Unearned revenue	12,500
Sales tax payable	74
Total Current Liabilities	<u>13,133</u>

TOTAL LIABILITIES	<u>13,133</u>
--------------------------	---------------

Equity:

Accumulated equity (deficit)	<u>11,846</u>
------------------------------	---------------

TOTAL EQUITY	<u>11,846</u>
---------------------	---------------

TOTAL LIABILITIES AND EQUITY	<u><u>\$ 24,979</u></u>
-------------------------------------	-------------------------

EXHIBIT B

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER COMMUNITY TRUST
MUSKOGEE, OKLAHOMA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

OPERATING REVENUES:	
Rental revenue	\$ 7,166
Event/movie tickets	13,141
Donations/sponsorship/membership	7,997
Concessions	11,825
Novelties	576
In-kind donation - service	700
Other program revenue	1,134
TOTAL OPERATING REVENUES	<u>42,539</u>
COST OF SALES:	
Concessions supplies	3,641
Sales tax expense	1,763
Novelties	692
Event contracts	7,528
Production, licensing & fees	8,112
TOTAL COST OF SALES	<u>21,736</u>
GROSS PROFIT	20,803
OPERATING EXPENSES:	
Management fee	60,000
Personnel & fringe benefits	31,200
Building maintenance	14,350
Software & office supplies	3,745
Advertising/marketing/social media	1,374
Legal & accounting fees	3,282
Insurance, permit & licenses	6,571
Depreciaiton expense	2,339
TOTAL OPERATING EXPENSES	<u>122,861</u>
OPERATING INCOME (LOSS)	(102,058)
NONOPERATING INCOME AND EXPENSE:	
City matching	16,981
City subsidy	59,000
TOTAL NON-OPERATING INCOME AND EXPENSE	<u>75,981</u>
NET INCOME (LOSS)	<u><u>\$ (26,077)</u></u>

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

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER COMMUNITY TRUST
MUSKOGEE, OKLAHOMA
STATEMENT OF CHANGES IN ACCUMULATED EQUITY (DEFICIT)
For the Year Ended June 30, 2020**

Balance (deficit) beginning of the period	\$ 37,921
Adjustment on prior year's equity	2
Net income (Loss), current year	<u>(26,077)</u>
Balance (deficit), end of period	<u><u>\$ 11,846</u></u>

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

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER COMMUNITY TRUST
MUSKOGEE, OKLAHOMA
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020**

<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from customers	\$ 33,142
Contributions from sponsors/donors	8,697
Payments to suppliers for goods & services	(40,040)
Payments to manager & employees	(92,579)
Net Cash Provided (Used) by Operating Activities	<u>(90,780)</u>
<u>Cash Flows from Investing Activities:</u>	
Improvements on the building	(1,235)
Purchase of office equipment, furniture & fixtures	(4,874)
Net Cash Provided (Used) by Investing Activities	<u>(6,109)</u>
<u>Cash Flows from Financing Activities:</u>	
Financial assistance from the City of Muskogee	72,595
Net Cash Provided (Used) by Financing Activities	<u>72,595</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(24,294)
Cash & Cash Equivalents, Beginning of Year	32,376
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	<u>\$ 8,082</u>
<u>Reconciliation of operating income (loss) to net cash provided by operating activities:</u>	
Operating Income (Loss)	\$ (102,058)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	2,339
(Increase)Decrease in prepaid insurance	(119)
Increase(Decrease) in accounts payables	(2,226)
Increase(Decrease) in accrued wages & payroll related liabilities	(1,379)
Increase(Decrease) in customer's deposit	150
Increase(Decrease) in unearned revenue	12,500
Increase(Decrease) in sales tax payable	13
Net Cash Provided (Used) by Operating Activities	<u>\$ (90,780)</u>

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER
COMMUNITY TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations

Roxy Theater Community Trust

On March 26, 2018, the City Council of the City of Muskogee (Trustor) and the original trustees of the Trust, Bob Coburn, Jaime Stout, and Marlon Coleman executed a Trust Indenture of the Roxy Theater Community Trust, a municipally owned Trust (“Trust”) for the purpose of preserving and enhancing the historic Roxy Theater (“Facility”), located in Muskogee, Oklahoma. In consideration of the payment of the Trustor to the Trustees for the total sum of One Dollar (\$1.00) and other valuable considerations, the said Trustees agreed to have and to hold the Facility and the proceeds, rents, profits and increases in trust for the benefit of current and future generations of the residents of the City of Muskogee, Oklahoma, referred to collectively as the Beneficiary of the Trust.

Oxford Productions, Inc. – Manager of the Trust

Oxford Productions, Inc. is in the business of private management of public facilities in the United States of America. It is organized as a corporation under the laws of the State of Oklahoma and its principal place of business is located at 501 S. 45th St. E., Muskogee, Oklahoma 74403.

Roxy Theater Community Trust has entered into an agreement with Oxford Productions, Inc. (Manager) to act as the sole and exclusive manager and operator of the Roxy Theater (Facility) on behalf and for the benefit of the Trust. The management agreement was made effective on the 1st day of July 2018 for a term of 10 years expiring on June 31, 2028 unless sooner terminated pursuant to the provisions in the agreement.

Oxford Productions, Inc.’s services under the agreement relate to the management of the activities within the Roxy Theater, as a multi-purpose theater. Oxford Productions, Inc. will provide day-to-day general management and supervision of all activities at the Roxy Theater. Management activities include: planning, marketing, fiscal analysis and budget management, personnel supervision, payroll related obligations of personnel working with the facility, purchasing and acquisition, facility and equipment rental, contract negotiation and execution, and, except for repairs & maintenance, all other activities necessary for the general provision of services for the Roxy Theater’s activities including entertainment events, rental of the facility, and advertising and contracts.

In consideration of Manager’s performance of its services, the trust agrees to pay Manager a monthly fixed management fee of \$4,000 effective July 1, 2018 continuing for the first twelve months, to be raised to \$5,000 beginning the 13th month continuing through the term of the Agreement. The Trust agrees to pay Manager a three percent (3%) financing fee, compounded monthly in the event the Trust may delay reimbursement payment for the fixed management fee. Delayed payments shall not be more than 180 days.

As required by the agreement, the accompanying financial statements only include revenues and expenses associated with the operation of the Facility. These financial statements are not intended to represent the revenues and expenses of Oxford Productions, Inc. itself. Operation of the trust commenced under Oxford Production’s management in August 2018.

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER
COMMUNITY TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

Limitations on Manager's Duties

Manager's obligations under the Agreement are contingent upon and subject to the Trust making available the funds budgeted for and/or reasonably required by Manager to carry out such obligations. Manager shall have no liability to the Trust or any other party in the event Manager does not perform any of its obligations due to failure by the Trust to timely provide funds. Manager shall have no liability for any repairs and maintenance on the facility.

Relationship of Parties

Manager and Trust acknowledge and agree that they are not joint ventures, partners, or joint owners with respect to the Facility, and nothing contained in the agreement that a partnership, joint venture or similar relationship is created between the Trust & Manager. In operating the Facility, entering into contracts, accepting reservations for use of the Facility, and conducting financial transactions for the Facility, Manager acts on behalf of and as agent for the Trust (subject to limitations as embodied in the agreement) with the fiduciary duties required by law of a party acting in such capacity.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

C. Cash and Cash Equivalents

All bank deposits are held at various financial institutions and are carried at cost. For purposes of the statements of cash flows, the Trust considers cash in banks, cash on hand, and money market accounts which are readily convertible to cash to be cash equivalents.

The Trust maintains cash accounts with banks located in Oklahoma that are entirely insured by the Federal Deposit Insurance Corporation.

D. Inventories

Inventories primarily consist of concession supplies. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market. No inventory was reported at the balance sheet date, all concession supplies purchased during the period was charged to cost of sales.

E. Property and Equipment

The Trust's depreciable assets are reported at cost when purchased. The current capitalization threshold is \$350. Depreciation is calculated on the straight-line method over the estimated useful lives of the depreciable assets.

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER
COMMUNITY TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

The following is a schedule of property and equipment at June 30, 2020:

	<u>6/30/2019</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>6/30/2020</u>
Building facility	\$ 1			\$ 1
Building improvements	-	1,235		1,235
Office equipment	7,688	4,875		12,563
Furniture & fixtures	1,900			1,900
Total Property & Equipment	9,589	6,110	-	15,699
Less: Accumulated Depreciation	(864)	(2,339)		(3,203)
Net Property & Equipment	<u>\$ 8,725</u>	<u>\$ 3,771</u>	<u>\$ -</u>	<u>\$ 12,496</u>

F. Capital Expenditures

All expenditures for building additions, alteration, repairs, utilities, or improvements and purchases of additional or replacement furniture, machinery or equipment for the facility shall be paid for by the Trust from the Building Fund Account.

G. Support and Revenues

Deposits and payments for tickets, concessions & other sponsorships received are recognized as revenues when earned and once the related event occurs. Other product or service amounts received in advance of events are reported as unearned or deferred revenue. The amount received in advance of the intended events at June 30, 2020 was \$12,500, reflected as unearned/deferred revenue in the balance sheet.

H. Fair Value of Financial Instruments

The financial instruments of the Trust include cash and cash equivalents, accounts receivable and accounts payable. The Trust's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet due to their short maturity.

I. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Presentation of sales taxes

The Trust collects sales tax from customers for taxable goods & services and remits the entire amount to the State. The Trust's accounting policy is to include the sales taxes withheld as part of gross sales, and its payment to the state as an expense under cost of goods sold.

K. Income Taxes

The operation of the Roxy Theater Community Trust is not a taxable entity on a standalone basis. Most items of income and expense from the operation of the Roxy Theater are

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER
COMMUNITY TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

reported by the City of Muskogee, a non-taxable entity in relation to income taxes. Accordingly, no provision for federal or state income tax expense appears on the statement of activities, and no liability for federal or state income taxes appears on the balance sheet.

L. In-Kind Donations

In-kind donations such as donated services are recognized as in-kind donations if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Trust. During the fiscal year the Trust received \$700 worth of in-kind donation of a service from one of the vendors for a one-time set up of a software that should have been bought.

NOTE 2 – DETAILED NOTES CONCERNING THE FUNDS

A. Procedure for Handling Income

Roxy Theater Community Trust Operating Account – All revenues derived from the operation of the Facility shall be deposited by Manager into this Operating Account.

Roxy Theater Community Trust Building Fund, Restricted Fund – The Trust shall deposit into this account funds subsidized by the City of Muskogee, which is to be strictly used for capital improvements, payments for building utilities, and repairs and maintenance on the facility. The Trust agrees to deposit on the first day of the Operating Year the annual budgeted subsidy for building maintenance.

B. Source of Funding

The Operating Account shall be funded with amounts generated from the operation of the Roxy Theater, or otherwise made available by the Trust. Manager shall pay all items of expenses for the operation, custodial services, supervision, promotion, and management of the Facility from the funds in the Operating Account, which Manager may access periodically for its purpose.

C. Establishment of Operating Budget

At least 30 days prior to commencement of each subsequent Operating Year in respect of such year, Manager will prepare and submit to the Trust its proposed Operating Budget for such year. The annual Operating Budget will include Manager's good faith projection of Revenues and Operating Expenses, presented on a monthly and annual basis, for the upcoming Operating Year subject to the review and approval of the Trust.

Manager shall use all reasonable efforts to manage and operate Roxy Theater in accordance with the Operating Budget, however Trust acknowledges that each Operating Budget are subject to and may be affected by changes in financial, economic and other conditions and circumstances beyond the Manager's control, and that Manager shall have no independent liability if the numbers within the Operating Budget are not achieved.

D. Financial Assistance from the City of Muskogee

During the fiscal year, Roxy Theater Community Trust earned revenues from the City of Muskogee for \$75,981. From the amount, \$20,000 went to the building fund, restricted for building maintenance, while the \$39,000 represented the City's assistance for the Facility's

**OXFORD PRODUCTIONS, INC.'S OPERATION OF THE ROXY THEATER
COMMUNITY TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

operating expenses. The \$16,981 was the City's matching grant monies for the dollars raised by the Trust. Out of the matching grant, actual funds received by the Trust from July 1, 2019 to June 30, 2020 was \$13,595 while the remaining balance of \$3,386 was collected the following fiscal year.

NOTE 3 – OTHER INFORMATION

A. Risk Management

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The Trust purchases commercial insurance for these and other risks of loss.

B. Revenue Concentrations

A significant portion of the Trust's operating funds was derived from public support or sponsorships. During the fiscal year 64% of the Trust's total revenues/receipts was from the financial assistance provided by the City of Muskogee.

C. Related-Party Transactions

The President of Oxford Productions, Inc. is the same person who entered into an agreement to manage the Roxy Theater Community Trust, who got appointed as the Trust's Treasurer on July 27, 2018 Board of Trustees' meeting and currently authorized as one of the signatories in the Trust's bank accounts.

D. Subsequent Events

Management has evaluated subsequent events through December 1, 2020 the date of the audit report, which is the date the financial statements were available to be issued.