

THE MUSKOGEE TOURISM AUTHORITY

Financial Statements

Year Ended June 30, 2021

With

Independent Auditor's Report

THE MUSKOGEE TOURISM AUTHORITY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Net Position - June 30, 2021	3
Statement of Revenue, Expenses and Changes in Net Position - Year Ended June 30, 2021	4
Statement of Cash Flows - Year Ended June 30, 2021	5
Notes to Financial Statements	6 - 12

Independent Auditor's Report

The Board of Directors
The Muskogee Tourism Authority
Muskogee, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of The Muskogee Tourism Authority (an Oklahoma corporation), which comprise the statement of net position, statement of revenue, expenses and changes in net position, and statement of cash flows as of and for the year ended June 30, 2021, 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 The Muskogee Tourism Authority as of June 30, 2021, 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.

Prior Period Financial Statements

The financial statements of The Muskogee Tourism Authority as of June 30, 2020, were audited by other auditors whose report dated December 1, 2020, expressed an unmodified opinion on those statements.

Tulsa, Oklahoma
June 23, 2022

THE MUSKOGEE TOURISM AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Assets	
Cash and cash equivalents	\$ 369,401
Accounts receivable	500
Prepaid expense	1,015
Property and equipment, net	<u>31,171</u>
Total assets	<u>\$ 402,087</u>

LIABILITIES AND EQUITY

Liabilities	
Accounts payable	\$ 3,061
Accrued liabilities	<u>757</u>
Total liabilities	<u>3,818</u>
Equity	<u>398,269</u>
Total equity	<u>398,269</u>
Total liabilities and equity	<u>\$ 402,087</u>

See independent auditor's report and accompanying notes to financial statements.

THE MUSKOGEE TOURISM AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

Operating revenues	
Rental revenues	\$ 2,093
Event and movie tickets	4,731
Donations, sponsorships and memberships	30,645
Concessions	6,261
Novelties	621
Hotel and motel tax revenues	577,416
Other program revenue	405
	<u>622,172</u>
Total operating revenues	
	<u>622,172</u>
Cost of sales	
Concessions supplies	3,125
Event contracts	2,671
Processing fees	116
Sales tax expense	903
Production and licensing	4,405
	<u>11,220</u>
Total cost of sales	
	<u>11,220</u>
Gross profit	<u>610,952</u>
Operating expenses	
Personnel and fringe benefits	90,808
Events and programming	77,013
Management fee	60,000
Recruitment fees	52,699
Building maintenance	19,839
Insurance and licensing	4,599
Software and office supplies	4,573
Depreciation	3,315
Legal and accounting	2,745
Advertising and marketing	1,875
Travel	510
	<u>317,976</u>
Total operating expenses	
	<u>317,976</u>
Operating income	
	<u>292,976</u>
Nonoperating income	
City subsidy (See Note 2 - page 11)	<u>93,447</u>
Total nonoperating income	
	<u>93,447</u>
Net income	
	<u>386,423</u>
Net position beginning of the year	
	11,846
Net position end of the year	
	<u>\$ 398,269</u>

See independent auditor's report and accompanying notes to financial statements.

THE MUSKOGEE TOURISM AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

Operating activities	
Net income	\$ 386,423
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation	3,315
Changes in operating assets and liabilities	
Accounts receivable	2,886
Unearned revenue	(12,500)
Accounts payable	2,652
Accrued liabilities	532
	<hr/>
Net cash provided by (used for) operating activities	383,308
	<hr/>
Investing activities	
Purchase of property, plant, and equipment	(21,989)
	<hr/>
Net cash provided by (used for) investing activities	(21,989)
	<hr/>
Net increase (decrease) in cash	361,319
Cash and cash equivalents, beginning of year	8,082
	<hr/>
Cash and cash equivalents, end of year	\$ 369,401
	<hr/> <hr/>

See independent auditor's report and accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Muskogee Tourism Authority (the "Authority") is the lead tourism agency for the City of Muskogee, Oklahoma. The Authority has two dba's; Roxy Theater and Visit Muskogee.

Roxy Theater Community Trust Now Operated as Muskogee Tourism Authority

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 & Muskogee Tourism Authority

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.

The Muskogee Tourism Authority 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Fair Value Measurements

The Authority has determined the fair value of certain assets and liabilities in accordance with current fair value accounting standards, which provides a framework for measuring fair value under generally accepted accounting principles.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standards require that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The standards contain a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

(Continued)

THE MUSKOGEE TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Accounts receivables are short-term, non-interest bearing, and uncollateralized. Management has determined no allowance was necessary at June 30, 2021.

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 were charged to cost of sales.

Property and Equipment

Property and equipment are capitalized at cost. The straight-line depreciation method is used for all assets. The Authority follows the practice of capitalizing expenditures for property and equipment in excess of \$350 with a useful life of more than one year.

The Authority records impairments to its fixed assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Authority based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2021.

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.

Other Assets

Other assets consist of prepaid expenses.

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 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.

Sales Taxes

The Trust collects sales tax from customers for taxable goods and 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services and Assets

The value of services contributed by volunteers is not reflected in the accompanying financial statements as the services performed did not require specialized skills as specified by Generally Accepted Accounting Principles (GAAP) pertaining to Accounting for Contributions Received and Contributions Made. Contributed professional services for which a fair value is reasonably determinable are recorded as contribution revenue and contributed services expense. Other contributed services or assets for which a fair value is reasonably determinable are recorded as contributions revenue and contributed services expense. Contributed assets are recorded on the statements of financial position at fair value at the date of the donation.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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. Management periodically evaluates estimates used in the preparation of the financial statement for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to depreciation, allowance for doubtful accounts, and accrued expenses.

Advertising

The Authority expenses advertising costs as incurred. Advertising expense was \$1,875 for the year ended June 30, 2021.

Revenue Recognition

The Authority considers customer purchases of inventory and tickets, as well as venue rental, to be contracts with a customer.

Revenue is recognized at the point at which control of the products are transferred to the customer or services have been rendered.

Revenue is measured as the amount of consideration the Authority expects to receive in exchange for transferring products or providing services. The Authority estimates different forms of variable consideration at the time of sale based on historical experience, current conditions and contractual obligations. Revenue is recorded net of customer discounts, when applicable. The Authority provides no products or services that offers the right or has a history of accepting returns, therefore recognizing a liability for the estimate of expected returns and an asset for the right to recover the product expected to be returned is not considered necessary.

Sales and other tax amounts collected from customers for remittance to governmental authorities are included in revenue. The Authority has elected to include shipping and handling of product with sales. The practical expedient not to disclose information about remaining performance obligations has also been elected as these contracts have an original duration of one year or less. The Authority does not have any payment terms that exceed one year from the point it has satisfied the related performance obligations.

(Continued)

THE MUSKOGEE TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Authority recognizes revenue upon the transfer of promised benefit to its customers in an amount that reflects the consideration to which the Authority expects to be entitled by applying the following five-step process specified in ASC 606:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue when the performance obligations are met

Factors that could impact the nature, amount, timing, and uncertainty of revenue and cash flows are as follows: (1) overall economic conditions; (2) demand for the Authority's services; (3) the timing of contributions, grants and sales taxes are outside of the Authority's control.

Subsequent Events

In October 2021, the Authority entered into an amended management agreement with Oxford Productions, Inc. effective December 2021.

The Authority has evaluated subsequent events through **June 23, 2022**, the date the financial statements were available to be issued.

NOTE 2 – DETAILED NOTES REGARDING THE FUNDS

Procedure for Handling Income

Muskogee Tourism Authority Operating Account, formerly entitled Roxy Theater Community Trust Operating Account - All revenues derived from the operation of the Facility shall be deposited by Manager into this Operating Account.

Muskogee Tourism Authority Building Fund, formerly entitled 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.

Source of Funding

The Operating Account shall be funded with amounts generated from the operation of the Roxy Theater and disbursements from the City of Muskogee for the operation of the Visit Muskogee Tourism Program, 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.

(Continued)

THE MUSKOGEE TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 – DETAILED NOTES REGARDING THE FUNDS (CONTINUED)

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.

Financial Assistance from the City of Muskogee

During the fiscal year, the Authority earned revenues from the City of Muskogee for \$93,447. From the amount, \$15,000 went to the building fund, restricted for building maintenance, while the \$39,447 represented the City's assistance for the Facility's operating expenses, and \$39,000 was a matching grant for operations.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2021, is as follows:

Building facility	\$	1
Office equipment		13,960
Building improvements		11,705
Website		7,873
Real estate		4,149
		<hr/>
Total		37,688
Less accumulated depreciation		(6,517)
		<hr/>
Property and equipment, net	\$	<u>31,171</u>

Depreciation expense for the year ended June 30, 2021, was \$3,315.

NOTE 4 – CONTRACT BALANCES

In accordance with ASC 606, the prior year balances from contracts with customers are presented below.

Accounts receivable at June 30, consist of:

	<u>2021</u>	<u>2020</u>
Accounts receivable	<u>\$ 500</u>	<u>\$ 3,386</u>

(Continued)

THE MUSKOGEE TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Authority's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Authority maintains its cash balances at local banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2021. At times, the Authority's balances may exceed the insured limit. As of June 30, 2021, the Authority has deposits in excess of FDIC limits at one financial institution. Management believes the credit risk related to these deposits is minimal. To date, the Authority has not experienced losses in any of these accounts.

NOTE 6 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides for more transparency and comparability among organizations by recognizing leased assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted.