

OKLAHOMA'S RED CARPET COUNTRY, INC.

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

OKLAHOMA'S RED CARPET COUNTRY, INC.
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YEAR ENDED JUNE 30, 2016

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Independent Auditor's Report

Board of Directors
Oklahoma's Red Carpet Country, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma's Red Carpet Country, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets-cash basis as of June 30, 2016 and the related statements of revenues, expenses and changes in net assets – cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for 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 and *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 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 Oklahoma's Red Carpet Country, Inc.'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 Oklahoma's Red Carpet Country, Inc.'s internal control. Accordingly, we express no such an 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 cash basis net assets of Oklahoma's Red Carpet Country, Inc. as of June 30, 2016 and the changes in cash basis net assets for the year then ended in conformity with basis of accounting described in Note 1.

Other Matters

Report on Supplementary and Other Information

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2017 on our consideration of Oklahoma's Red Carpet Country, Inc.'s internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

January 18, 2017

OKLAHOMA'S RED CARPET COUNTRY, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2016

ASSETS

Cash in bank	<u>\$ 17,039</u>
Total Assets	<u><u>\$ 17,039</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Notes payable (Note 5)	10,300
Net Assets:	
Unrestricted	<u>6,739</u>
Total Liabilities and Net Assets	<u><u>\$ 17,039</u></u>

The accompanying report and notes are an integral part of these financial statements.

OKLAHOMA'S RED CARPET COUNTRY, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CASH BASIS
YEAR ENDED JUNE 30, 2016

Revenues:	
State matching funds (Note 2)	\$ 39,293
Donations	385
Membership dues	6,070
Advertising sales - Vacation Guides	55,150
Tourism conference	4,185
Oklahoma Travel Guide advertising	24,153
Other magazine advertising	17,043
Subscriptions - Oklahoma Today	135
Brochures	313
Travel show income	3,415
Miscellaneous income	120
Total Revenues	<u>150,262</u>
Expenses:	
Administrative:	
Allowable	7,859
Discretionary	44,215
Total Administrative	<u>52,074</u>
Promotional:	
Allowable	31,434
Discretionary	64,607
Total Promotional	<u>96,041</u>
Total Expenses	<u>148,115</u>
Revenues over (under) expenses	2,147
Net Assets, beginning of year	<u>4,592</u>
Net Assets, end of year	<u><u>\$ 6,739</u></u>

The accompanying report and notes are an integral part of these financial statements.

OKLAHOMA'S RED CARPET COUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Oklahoma's Red Carpet County, Inc. is a non-profit organization established to promote Oklahoma's Red Carpet Country; to support its local communities and coordinate their efforts; and to work with other organizations similar to itself in promotion of the State of Oklahoma. Membership is encouraged for anyone located in its region for an annual membership fee. Oklahoma's Red Carpet Country is a sixteen county region in the northwest section of the state. The Corporation is exempt from federal and state income taxes as a 501(c)(6) organization.

Basis of Accounting

The Corporation maintains its records on the basis of cash receipts and disbursements. Under the cash basis, revenues are recognized when received, rather than earned, and expenses are recognized when paid rather than when incurred.

Property and Equipment

Purchases of and capital lease payments on property and equipment are recorded as expenses in the year of disbursement.

Cash and Cash Equivalents

The Corporation considers all deposit accounts with a maturity of three months or less to be cash equivalents.

NOTE 2 – STATE MATCHING FUNDS:

The Oklahoma State Legislature appropriates funds which are available to multi-county organizations through the Oklahoma Tourism and Recreation Department. Oklahoma's Red Carpet Country, on an annual basis, contractually agrees to assist the Department in the promotion of tourism. The Department allocates funds to match allowable expenditures made by Oklahoma's Red Carpet Country. Allowable expenditures are promotional and administrative expenses which comply with contract guidelines. Matching funds to be paid each fiscal year by the Department are limited by the contract. Oklahoma's Red Carpet County files reports and supporting documentation with the Department to prove its adherence with the contract. Upon the Department's approval of these reports, the matching funds are paid to Oklahoma's Red Carpet County.

State matching funds allocated to the fiscal year ended June 30, 2016 were \$39,293. All of these funds were received during the year ended June 30, 2016.

OKLAHOMA'S RED CARPET COUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 3 – MANAGED COOPERATIVE ADVERTISING:

In an effort to meet its goals of tourism marketing and promotions into the Red Carpet region, Oklahoma's Red Carpet Country, Inc. maintained a managed cooperative advertising program during the year ended June 30, 2016.

This program involved the coordination, management, and implementation of advertising and production costs by the Oklahoma's Red Carpet Country, Inc.'s staff and volunteers. Oklahoma's Red Carpet Country, Inc. arranged for cooperative advertising/production services and made them available to its members at a discounted rate.

NOTE 4 – FINANCIAL INSTITUTION:

The Corporation maintains a bank account at Central National Bank in Alva, Oklahoma.

NOTE 5 – NOTES PAYABLE:

The Corporation borrowed \$30,000 on March 16, 2015 for operations. The maturity date was June 14, 2015 and the interest rate was 6%. A principle payment of \$15,000 was made on June 14, 2015 and the note was extended to November 11, 2015. This note was paid off in November 2015. In April 2016 the Corporation borrowed \$10,300 from a local bank. This note has a maturity date of March 28, 2017 .

NOTE 6 – INCOME TAXES:

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Association's Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending 2014, 2015, 2016 are subject to examination by the IRS, generally three years after they were filed.

NOTE 7 – CONTINGENCIES:

Grant expenditures are subject to financial and compliance audits by the grantor agencies or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures that are disallowed under the terms of the grant. The Corporation believes that the amount for expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

OKLAHOMA'S RED CARPET COUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 8 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the Corporation's own assumptions in determining the fair value of investments).

The Corporation's financial instruments include cash and cash equivalents. The Corporation'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 statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS:

The Corporation has evaluated subsequent events through January 18, 2017, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

OKLAHOMA'S RED CARPET COUNTRY, INC.
SCHEDULE OF ADMINISTRATIVE AND PROMOTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$ 6,115	\$ 26,821
Office rent and storage	827	513
Office supplies		1,401
Telephone	598	1,036
Postage		538
Professional fees		2,526
Sales & marketing expenses		6,817
Travel	319	572
Dues and Subscriptions		200
Interest and fees		512
Insurance		2,857
Miscellaneous		422
Total Administrative Expenses	<u>\$ 7,859</u>	<u>\$ 44,215</u>
	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel show exhibitions	\$ 2,153	\$ 1,649
Literature distribution	2,074	7,556
Photo contest		465
Print Production Costs:		
Tourism magazines	20,457	8,292
Brochures		348
Cooperative advertising (Note 3):		
Media advertisement	2,295	31,579
Media Advertising:		
Magazine	3,675	11,772
Website	780	754
Tourism conferences		2,192
Total Promotional Expenses	<u>\$ 31,434</u>	<u>\$ 64,607</u>

The accompanying report and notes are an integral part of these financial statements.

OKLAHOMA'S RED CARPET COUNTRY, INC.
 SCHEDULE OF ADVERTISERS
 YEAR ENDED JUNE 30, 2016

VACATION GUIDE SALES:

Alva, OK:			Hennessey, OK:	
Chamber of Commerce, 502 OK Blvd	\$	2,250	Eat It Up Café, 114 S Main	675
Aline, OK:			Town of Hennessey, PO Box 306	1,400
Sod House Museum		675	Perry, OK:	
Blackwell, OK:			Chamber of Commerce	2,350
Tourism Devvelopmt, 120 S Main		675	Ponca City, OK:	
Boise City, OK:			Kaw Lake Association, Box 1933	3,825
Cimmaron Heritage Center, Hwy 287		360	Ponca City Chamber, Box 1450	2,350
Canton, OK:			Shattuck, OK:	
Chamber of Commerce, Box 307		250	Chamber of Commerce, Box 400	2,250
Lake Corp of Engineers, Box 69		700	Jeannette Schoenal, 138 S Main	360
Lake Walleye Rodeo Assoc., Box 74		450	Waynoka, OK:	
Tonkawa, OK:			Chamber of Commerce, POB 173	5,900
Northern OK College,		1,125	Cherokee, OK:	
Fairview, OK:			Main Street, 121 E Main	3,050
Chamber of Commerce, PO Box 180		2,300	Woodward, OK:	
Heritage Inn, 911 N Main		360	Convention & Tourism, 3401 Centennial Ln	2,250
Plymouth Valley Vineyard, SE of City		360	Crystal Christmas, Box 1026	360
Guymon, OK			Wayfarer Inn, 2901 William Ave	360
City of Guymon, 219 NW 4th		3,638	Plains Indians, 2009 Williams Ave	360
Wakita, OK:			Watonga, OK:	
Twister Museum, Box 285		360	Chaparral Retreat, Hyw 8A North	425
Kenton, OK:			Noble House, LLC POB 570	675
Black Mesa Bed & Breakfast, PO Box 81		360	Gloss Mtn Winery, 109 E Main	1,225
Hitching Post BB, HCR 1 Box 4		360	Memorial Poker Run,	360
Kingfisher, OK:			Coop, 501 W Russworm	250
Chisholm Trail Museum, 605 Zellars		360	Floral, 108 W Main	125
Chamber of Commerce, 123 W Miles		360	Coop, 115 N Noble	250
Beaver, OK:			Charlotte Sawyer, Hwy 270/281	125
Chamber of Commerce, Box 81		675	Big Bobbins, 121 E Main	125
Faye, OK:			End O Main, 210 E Main	125
Old Caldwell Stable, Rt 1, Box 620		360	Lanes, 109 W Main	125
Enid, OK:			Country Home Antiques, 103 E Main	125
Event Center, 301 S Independence		1,350	Morris Co, 301 Russworm	125
City of Enid, 123 W Main		1,400	City of Watonga, POB 564	1,000
Maple Place BB, 418 W Maple		360	Main Street, Main	762
Cherokee Strip Reg Heritage, 507 S 4th		1,400	Watonga Republican, 104 E Main	125
Main Street, 217 W Washington		675	Watonga Library, 301 N Prouty	250
Oklahoma City, OK:			Friends of Ferguson Home, 521 N Weigle Ave	50
VI Marketing & Branding, 125 Park Ave		2,250		

Total

\$ 55,150

OKLAHOMA'S RED CARPET COUNTRY, INC.
 SCHEDULE OF ADVERTISERS
 YEAR ENDED JUNE 30, 2016

Advertising Sales:

Oklahoma Travel Guide:

Coop:

Woodward Convention Ctr \$ 1,828

Noncoop:

Woodward Convention Ctr 1,827

Enid Chamber of Commerce 6,075

Kaw Lake Association 2,150

City of Fairview 3,655

Perry Chamber of Commerce 3,055

City of Guymon 5,563

\$ 24,153

Travel Show Coop:

Enid CVB \$ 575

Perry Chamber of Commerce 400

Woodward Convention Ctr 475

Kaw Lake Association 400

Kingfisher Chamber of Commerce 200

City of Guymon 475

Charles Rager 90

Ponca City Chamber of Commerce 400

Cherokee Strip Regional Heritage Ctr 400

\$ 3,415

Brochures:

Hitching Post B&B \$ 313

Other Magazine Advertising:

Oklahoma Today Magazine:

City of Guymon \$ 2,066

Metro Family Magazine:

Coop:

Enid Chamber of Commerce \$ 607

Noncoop:

Enid Chamber of Commerce 959

\$ 1,566

Destination OK:

Coop:

Woodward Convention Ctr \$ 1,140

City of Guymon 1,000

Enid Chamber of Commerce 2,175

\$ 4,315

Other Coop Magazine:

Visit Enid 7,142

Cherokee Strip Regional Ctr 200

City of Guymon 1,083

Major County Historical Society 671

\$ 9,096

Total

\$ 17,043

SUPPLEMENTAL REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

Board of Directors
Oklahoma's Red Carpet Country, Inc.

We have audited the financial statements of the Oklahoma's Red Carpet Country, Inc. as of and for the year ended June 30, 2016, and have issued our report thereon dated January 18, 2017. 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. The financial statements were prepared using the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oklahoma's Red Carpet Country, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oklahoma's Red Carpet Country, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Oklahoma's Red Carpet Country, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma's Red Carpet Country, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 an instance of

noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

We noted other matters that we reported to Oklahoma Red Carpet Country, Inc. in a separate letter dated January 18, 2017.

Response to Findings

Oklahoma's Red Carpet Country, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Oklahoma's Red Carpet Country, Inc.'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kimberly R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 18, 2017

OKLAHOMA'S RED CARPET COUNTRY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016

Material Weakness in Internal Control Over Financial Reporting:

Inadequate Segregation of Duties:

Criteria: The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently, the same individual is responsible for invoicing and receiving payments; making and recording deposits; maintaining billing registers; and reconciling the monthly bank statements. The same individual is also responsible for receiving and reviewing payable invoices and preparing checks. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause: The Corporation's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the sales and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: The Board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response: The Board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.