

OKLAHOMA'S RED CARPET COUNTRY, INC.

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

OKLAHOMA'S RED CARPET COUNTRY, INC.
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
Statement of Assets, Liabilities, and Net Assets – Cash Basis	3
Statement of Revenues, Expenses, and Changes in Net Assets – Cash Basis	4
Notes to Financial Statements	5-8
SUPPLEMENTARY INFORMATION:	
Title Page	9
Schedule of Administrative and Promotional Expenses	10
Schedule of Advertisers – Unaudited	11-12
GOVERNMENT AUDITING STANDARDS INFORMATION:	
Title Page	13
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 <i>Government Auditing Standards</i>	14-16

Kimberlye R. Mayer, CPA, P.C.

723 West Doolin

Blackwell, OK 74631

(580) 363-1453

Fax (580) 363-0068

Independent Auditor's Report

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

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, 2020 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, 2020 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

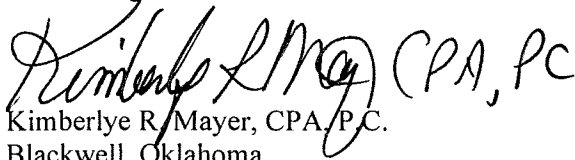
Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information 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, 2021 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.

 (CPA, PC)

Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

January 18, 2021

OKLAHOMA'S RED CARPET COUNTRY, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2020

ASSETS

Cash in bank	<u>\$ 4,884</u>
Total Assets	<u><u>\$ 4,884</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
PPP loan (Note 5)	13,833
Notes payable (Note 5)	7,352
Net Assets:	
Without donor restriction	(16,301)
With donor restriction	
Total Net Assets	<u>(16,301)</u>
Total Liabilities and Net Assets	<u><u>\$ 4,884</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, 2020

Change in net assets without donor restrictions:

Revenues and other support:

State matching funds (Note 4)	\$ 40,656
State matching funds 18/19 (Note 4)	5,992
Travel show sponsorships	517
Membership dues	9,850
Advertising sales - Vacation Guides and Maps	36,311
Tourism conference	3,180
Magazine/newspaper advertising sales	56,807
Billboard/ brochure production	11,921
Miscellaneous income	1,289
Total revenues and other support without donor restrictions	166,523

Expenses:

Administrative:

Allowable	4,657
Discretionary	63,076
Total Administrative	67,733

Promotional:

Allowable	35,999
Discretionary	68,670
Total Promotional	104,669

Total Expenses	172,402
----------------	---------

Increase (decrease) in net assets without donor restrictions	(5,879)
--	---------

Change in net assets with donor restrictions:	_____
---	-------

Increase (decrease) in net assets	(5,879)
-----------------------------------	---------

Net Assets, beginning of year	(10,422)
-------------------------------	----------

Net Assets, end of year	\$ (16,301)
-------------------------	-------------

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, 2020

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, Inc. 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.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from the net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

New Accounting Pronouncement

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly.

Property and Equipment

Purchases of property and equipment are recorded as expenses in the year of disbursement.

OKLAHOMA'S RED CARPET COUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash and Cash Equivalents

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

Accounting for Contributions:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Expenses:

The costs of providing program services and other activities have been summarized in the Schedule of Administrative and Promotional Expenses (page 10). Direct costs are recorded as administrative or promotional expenses. There are no indirect or allocated expenses.

NOTE 2 – 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, 2020.

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 3 – FINANCIAL INSTITUTION:

The Corporation maintains a bank account at BancCentral in Enid, Oklahoma.

OKLAHOMA'S RED CARPET COUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 4 – 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, 2019 were \$43,115 of which \$5,992 was received in the fiscal year ended June 30, 2020. State matching funds allocated to the fiscal year ended June 30, 2020 were \$40,656 which were all received in the fiscal year ended June 30, 2020.

NOTE 5 – NOTES PAYABLE:

Line of Credit: The Corporation has a line of credit of \$20,000 with an expiration date of 3/28/21 and an interest rate of 6.25%. At June 30, 2020, the balance of the line of credit was \$7,352. At the date of this report, the balance of this line of credit was \$7,412.

PPP Loan: On May 6, 2020, the Corporation was granted a loan from BancCentral in the amount of \$13,833.32, pursuant to the Paycheck Protection Program (PPP) under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a note, matures on May 6, 2022, and bears interest at a rate of 1%, payable monthly commencing on November 13, 2020. The note may be prepaid prior to maturity with no prepayment penalties. Funds from the loan may be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred prior to February 15, 2020. The Corporation used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan maybe forgiven if used for qualifying expenses described in the CARES Act. At the date of this report, the Corporation was in the process of applying for loan forgiveness.

NOTE 6 –LIQUIDITY AND CASH MANAGEMENT:

The Corporation is substantially supported by matching funds, advertising income, membership dues and other promotion income. The Corporation budgets its advertising and promotion expenses based on expected revenues. The Corporation has no reserve funds available for future operating expenses. The Association has a line of credit of \$20,000 that is drawn upon to cover a budget shortfall.

OKLAHOMA'S RED CARPET COUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 6 – LIQUIDITY AND CASH MANAGEMENT (continued):

During the year ended June 30, 2020, the Corporation's cash flows were not sufficient to meet the fiscal year's obligations which resulted in a net asset deficiency of \$16,301. Management has evaluated the circumstances that created the negative cash flows and determined that the Corporation will have sufficient cash flow to be able to meet its debt and other obligations for the next twelve months.

NOTE 7 – 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 2018, 2019, 2020 are subject to examination by the IRS, generally three years after they were filed.

NOTE 8 – 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.

NOTE 9 – RISK MANAGEMENT:

The Corporation is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Corporation manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS:

The Corporation has evaluated subsequent events through January 18, 2021, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

OKLAHOMA'S RED CARPET COUNTRY, INC.
SCHEDULE OF ADMINISTRATIVE AND PROMOTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$	\$ 29,314
Office rent and storage	1,800	600
Office supplies		1,439
Telephone	233	1,092
Postage		513
Professional fees	1,820	765
Sales & marketing expenses		16,905
Travel		8,386
Dues and Subscriptions		225
Interest expense		666
Insurance	804	150
Miscellaneous		3,021
Total Administrative Expenses	<u>\$ 4,657</u>	<u>\$ 63,076</u>

	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel show exhibitions	\$ 68	\$ 1,627
Literature distribution	711	4,398
Print Production Costs:		
Tourism magazines	5,850	16,654
Brochures	1,725	11,814
Media Advertising:		
TV		1,830
Magazine/brochures	27,645	3,230
Newspaper		23,354
Website/Facebook		1,518
Other tourism promo expense		2,199
Tourism conferences		2,046
Total Promotional Expenses	<u>\$ 35,999</u>	<u>\$ 68,670</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, 2020

VACATION GUIDE & MAP SALES:

Alva, OK:

Chamber of Commerce, 502 OK Blvd \$ 1,400

Aline, OK:

Sod House Museum 948

Hennessey, OK:

Hennessey United, 705 Levi 1,400

Beaver, OK:

JCs Bunkhouse, Box 12 300

Kingfisher, OK:

Chamber of Commerce, 123 W Miles 1,000

Chisholm Trail Museum, 605 Zellers 1,400

Hooker, OK:

City of Hooker, POB 67 750

Fairview, OK:

Chamber of Commerce, 624 N Main 2,400

Boise City, OK:

Cimmaron Heritage Center, Hwy 287 396

Willow Way, 409 E Main 150

Laverne, OK:

Chamber of Commerce, POB 364 2,400

Medford, OK:

City of Medford, POB 123 400

Kenton, OK:

Hitching Post BB, HCR 1 Box 4 289

Black Mesa Bed & Breakfast, POB 81 289

Wakita, OK:

Twister Museum, 101 W Main 400

Enid, OK:

Cherokee Strip Reg Heritage, 507 S 4th 1,708

Garfield Furniture, 205 S Grand 1,122

Stride Bank, 301 Independence 425

Visit Enid, 201 W Owen 1,330

Leonardos, POB 348 300

Arnett, OK:

Lynda Latta, POB 157 246

Shattuck, OK:

Town of Shattuck, PO Box 670 1,400

Okeene, OK:

Okeen Historic Preservation, POB 162 210

Woodward, OK:

Nightmare in the Country, 38368 S Co. Rd 1,032

Convention & Tourism, 3401 Centennial Ln 3,265

Perisimmon Creek, 906 Main 150

Compass Athletics, 2024 Main 600

Okahoma City, OK:

Astronomy Club, POB 22804 600

VI Marketing, 125 Park Ave 2,400

Tulsa, OK:

Green Country Mktg, 2805 E Skelly Rd 2,900

Ponca City, OK:

Marland Mansion, 901 Monusment Rd 1,400

B&B Sun N Fun, 8900 Lake Rd 300

Cherokee, OK:

Smith Drugstore, 121 S Grand 300

Lola's Mexican Restaurant, 115 S Grand 150

Macy Cakes, 209 S Grand 150

Canton, OK:

Walleye Rodeo, POB 74 750

Gilchrist General Store, POB 206 216

Riverside RV Park, POB 206 217

This & That, POB 206 216

The Overlook, POB 125 216

Watonga, OK:

Noble House, POB 570 575

Friends of Ferguson Home, POB 165 60

Perry, OK:

Thorn Originals, 642 Cedar St 151

Total \$ 36,311

OKLAHOMA'S RED CARPET COUNTRY, INC.
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2020

Advertising Sales:

Oklahoma Travel Guide:

Woodward Convention Center	\$ 3,483
Ponca City Chamber of Commerce	7,470
Visit Enid	5,891
	<u>\$ 16,844</u>

Oklahoma Today Magazine:

Visit Enid	<u>\$ 2,631</u>
------------	-----------------

Barn Quilt Trail Brochure:

Garfield Furniture	<u>\$ 306</u>
--------------------	---------------

Green Country Destinations OK:

Ponca City Chamber of Commerce	\$ 3,911
Marland Mansion	688
Major Co. Historical Society	825
	<u>\$ 5,424</u>

Oklahoma Outdoor Guide:

Woodward Convention Center	\$ 1,863
Visit Enid	3,668
Alva Chamber of Commerce	1,350
	<u>\$ 6,881</u>

Logo on RCC Literature:

Chisholm Trail Museum	\$ 325
Cherokee Strip Museum	325
Visit Enid	325
Ponca City Chamber	325
Woodward Convention Center	325
	<u>\$ 1,625</u>

Newspaper:

Garfield Furniture	\$ 22,416
Visit Enid	680
	<u>\$ 23,096</u>

Totals	<u>\$ 56,807</u>
--------	------------------

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, 2020, and have issued our report thereon dated January 18, 2021. 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 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.

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. 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 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.

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.

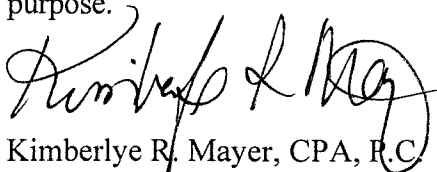
We noted other matters that we reported to Oklahoma Red Carpet Country, Inc. in a separate letter dated January 18, 2021.

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.



CPA, P.C

Kimberlye R. Mayer, CPA, P.C
Blackwell, Oklahoma
January 18, 2021

OKLAHOMA'S RED CARPET COUNTRY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

**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.