



**TULSA PERFORMING ARTS CENTER TRUST  
(A COMPONENT UNIT OF THE CITY OF TULSA)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023 and 2022**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Tulsa Performing Arts Center Trust

### **Opinion**

We have audited the financial statements of the business type activities of the Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise TPACT's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TPACT as of June 30, 2023 and 2022, and its changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TPACT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TPACT's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TPACT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TPACT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Other Matters**

As described in Note 1 to the financial statements, in 2023, TPACT adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Tulsa, Oklahoma  
September 19, 2023

**TULSA PERFORMING ARTS CENTER TRUST**

**STATEMENTS OF NET POSITION**

**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,415,556	\$ 4,592,758
Investments	2,945,828	2,640,054
Accounts receivable	461,727	35,327
Grant receivable	5,721	17,945
Prepaid expenses and other assets	403,353	19,584
	<hr/>	
Total current assets	9,232,185	7,305,668
Noncurrent assets:		
Nondepreciable capital assets	100,017	100,017
Assets held for sale	1,442,070	1,442,070
Depreciable capital assets, net	295,769	160,837
Subscription asset	336,682	425,242
	<hr/>	
Total assets	11,406,723	9,433,834
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable and accrued expenses	583,384	232,567
Advance ticket sales and other unearned revenue	853,097	1,004,426
Other liabilities	-	4,300
Current maturity of subscription liability	185,538	135,096
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Total current liabilities	1,622,019	1,376,389
Subscription liability, less current maturity	187,744	328,307
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Total liabilities	1,809,763	1,704,696
Net position:		
Invested in capital assets	1,837,856	1,702,924
Unrestricted	7,441,604	5,784,500
Restricted	317,500	241,714
	<hr/>	
Total net position	<u>\$ 9,596,960</u>	<u>\$ 7,729,138</u>

**TULSA PERFORMING ARTS CENTER TRUST**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**Years ended June 30, 2023 and 2022**

	2023	2022
<b>Operating revenues</b>		
Performance and performance related	\$ 3,563,926	\$ 1,660,054
Management fee	2,000,000	1,750,000
Presenting and producing	120,264	12,737
Community engagement	58,939	10,088
Marketing	176,129	9,211
Concessions	365,807	113,054
Parking income, net	269,416	151,724
Memberships	42,416	-
	6,596,897	3,706,868
<b>Operating expenses</b>		
Salaries and benefits	2,751,714	2,302,653
Production expense	1,014,864	318,156
Utilities	696,312	637,135
Contracting services	401,980	244,191
Building maintenance	303,549	410,193
Materials and supplies	151,897	124,965
General and administrative	253,422	150,360
Advertising	270,766	75,710
Development	204,675	9,093
Depreciation and amortization	226,680	222,252
Other	9,910	7,766
	6,285,769	4,502,474
Operating income (loss)	311,128	(795,606)
<b>Nonoperating revenues (expense)</b>		
Contributions	356,345	276,515
In-kind donation	370,000	-
Paycheck Protection Program loan forgiveness	-	242,410
Shuttered Venue Operators Grant (Note 3)	-	2,067,703
American Rescue Plan Act grant	478,489	-
Other government grants	26,861	51,091
Investment gain (loss)	305,774	(427,406)
Interest income	36,409	5,651
Interest expense	(17,184)	(22,408)
	1,556,694	2,193,556
Change in net position	1,867,822	1,397,950
Net position, beginning of year	7,729,138	6,331,188
Net position, end of year	\$ 9,596,960	\$ 7,729,138

See notes to financial statements.

**TULSA PERFORMING ARTS CENTER TRUST**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2023 and 2022**

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 4,210,988	\$ 1,939,628
Management fee	2,000,000	1,750,000
Payments to suppliers and others	(3,166,447)	(2,092,246)
Payments for salaries, employee benefits and taxes	(2,751,714)	(2,302,653)
	292,827	(705,271)
Net cash provided by (used in) operating activities		
<b>Cash Flows from Noncapital Financing Activities</b>		
Contributions	356,345	276,515
Intergovernmental grants	39,085	33,146
Shuttered Venue Operators Grant	-	2,067,703
American Rescue Plan Act grant	478,489	-
	873,919	2,377,364
Net cash provided by noncapital financing activities		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(256,661)	(137,899)
Transfer of capital assets	70,330	-
Principal payments on subscription liability	(176,842)	(135,710)
Interest paid	(17,184)	(22,408)
	(380,357)	(296,017)
Net cash used in financing activities		
<b>Cash Flows from Investing Activities</b>		
Investment income	36,409	5,651
Sales and maturities of investments	-	202,000
Purchases of investments	-	(200,000)
	36,409	7,651
Net cash provided by investing activities		
Net change in cash and cash equivalents	822,798	1,383,727
Cash and cash equivalents, beginning of year	4,592,758	3,209,031
Cash and cash equivalents, end of year	\$ 5,415,556	\$ 4,592,758
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating income (loss)	\$ 311,128	\$ (795,606)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	226,680	222,252
Change in operating assets and liabilities:		
Accounts receivable	(426,400)	52,445
Prepaid expenses and other assets	(13,769)	(19,584)
Accounts payable and accrued expenses	350,817	57,457
Advance ticket sales and other unearned revenue	(151,329)	(214,560)
Other liabilities	(4,300)	(7,675)
	292,827	(705,271)
Net cash provided by (used in) operating activities	\$ 292,827	\$ (705,271)

See notes to financial statements.

# TULSA PERFORMING ARTS CENTER TRUST

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### Note 1 – Organization

Tulsa Performing Arts Center Trust (TPACT) is a public trust, not-for-profit corporation organized under the provisions of the Oklahoma Trust Act and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Tulsa Performing Arts Center (PAC) opened its doors in March 1977. Constructed with a combination of public and private funds, the PAC is owned by the City of Tulsa (the City). As of July 1, 2019, TPACT entered into a management agreement with the city. Under this management agreement, TPACT retains all revenue and the City pays TPACT a management fee to be the sole and exclusive manager and operator of the PAC during the contract term of July 1, 2019 through June 30, 2044. The Performing Arts Center houses four theaters, a studio space, and a large reception hall. TPACT's mission is the following: facilitate and deliver performing arts experiences that inspire, empower, and entertain our community.

TPACT's trustees are appointed by the mayor and approved by the City Council. The Trustees govern TPACT independently from the City Council. TPACT's sole beneficiary is the city (the primary government). TPACT is included in the City's comprehensive annual financial report as a discreetly presented component unit.

To achieve its mission, TPACT performs the following activities:

*Performances* – TPACT facilitates, produces, and presents a wide array of artistic programs at PAC facilities. These include theater, orchestra, recital, dance, jazz, spoken word, and a variety of performances by local, national, and international artists targeted at a diverse audience base.

*Community engagement* – TPACT conducts community-based programs and performances dedicated to children, parents, and educators. Such programs include arts classes, seminars and masterclasses in dance, theater, and music, arts training, performances for schools and families, and professional development workshops.

*Theater operations* – TPACT provides services for the management, operation, and maintenance of the PAC and parking facility.

*Marketing* – TPACT keeps the public and the media fully informed about TPACT's programs, events, and educational activities.

*Development* – In September 2022, TPACT began a membership program to generate revenue for its community engagement programs.

### Note 2 – Summary of Significant Accounting Policies

#### Financial statement presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to business type activities of governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental



accounting and reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

The financial statements of TPACT are prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

#### Cash and cash equivalents

TPACT considers all highly liquid investments purchased with original maturities of three months or less that are to be used for operating purposes to be cash equivalents. Cash equivalents may consist of certificates of deposit, money market funds, and investments in obligations of the U.S. government and its agencies.

#### Investments

TPACT's investments include cash and cash equivalents, U.S. treasury bonds, and mutual funds. Investments are reported at fair value based on quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

#### Accounts receivable

Accounts receivable primarily consist of American Rescue Plan Act (ARPA) reimbursements, ticket sales receivable, concessions, and parking revenue. ARPA reimbursements are amounts expended by TPACT in June for ARPA projects not yet reimbursed by City of Tulsa. Ticket sales receivables are June ticket sales from credit cards not yet deposited in bank (daily lag). Concessions revenue receivable consists of revenue due from the concessions operator at year-end. Parking revenue receivable consists of parking revenue due from the parking operator at year-end. TPACT management believes all amounts are fully collectible at fiscal year-end and has not reported an allowance for doubtful accounts.

#### Contributions receivable

Contributions receivable expected to be collected within one year are recorded at net realizable value. Management determines the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. No allowance for uncollectible contributions receivable was deemed necessary at June 30, 2023 or 2022.

#### Capital acquisitions and depreciation

Expenditures for property and equipment are capitalized at cost, when purchased or constructed, and are capitalized at fair value when contributed. TPACT capitalizes expenditures on computers over \$1,000 and capitalizes other fixed asset expenditures over \$5,000. Depreciation is computed using the straight-line method over the shorter of estimated useful lives or the term of the lease of the related assets.

Theater and computer equipment	3 to 20 years
Land improvements	5 to 30 years
Furniture and fixtures	5 to 10 years

TPACT owns a collection of art housed in the PAC. The collection is not depreciated as it meets all the following conditions:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.

#### Other assets

In July 2022, TPACT received a donation of costumes from the University of Tulsa Theater Department. TPACT intends to use these costumes for events we produce and to offer to our community partners for a minimal membership or rental fee. There are no donor-imposed restrictions. At June 30, 2023, TPACT recorded an estimated value of the costume donation from the University of Tulsa in the amount of \$370,000 and are recorded in prepaid expenses and other assets and in-kind donation in the accompanying financial statements.

#### Subscription asset and liability

TPACT recognizes a subscription asset and liability on the statement of net position for certain Subscription-Based Information Technology Arrangements (SBITA) with software vendors. The subscription liability is measured at the present value of total subscription payments expected to be made during the subscription term, while the subscription asset is measured at the amount of the initial measurement of the subscription liability, plus any payments made to the vendor at or before the commencement of the subscription term and certain direct costs. The subscription liability reductions and interest expense recognition are determined using the effective interest cost method. The subscription assets are amortized systematically and rationally over the shorter of the subscription term or the useful life of the underlying IT asset. Interest expense is presented in the non-operating expenses section of the statement of revenues, expenses, and changes in net position, while amortization costs are recognized as operating expenses.

#### Net position

Net position of TPACT represents the difference between assets and liabilities. Invested in capital assets consist of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on the assets' use either through enabling legislation adopted by TPACT or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, TPACT first applies restricted resources. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of investment in capital assets or restricted.

#### Revenue recognition

Fees from ticketing sales are recognized when nonrefundable tickets are purchased. Facility rental is recognized when the space is utilized. Ticket sales for presenting and producing performances are recognized as performance and performance related revenue on a specific performance basis. Ticket sales for the receipt of payment for future performances for nonrelated presenters and producers are reported in unearned revenue as a liability in the statement of net position. Such amount was approximately \$900 thousand and \$1 million in fiscal year 2023 and 2022, respectively, and the portion related to services performed by TPACT will be recognized as revenue in the subsequent period with the remaining remitted to the presenter or producer, as applicable in future periods.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-

adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. At June 30, 2023 and 2022, there were no unconditional promises to give.

Other revenues listed consists of food and alcohol services commission, merchandise sales commission and reimbursement of special event costs; marketing revenues from marketing of nonrelated presenters and/or producers; membership dues; and parking lot net revenue. These revenues are recognized as activity is performed.

#### Barter transactions

Fair market value (FMV) is determined based upon the value of the goods or services received. If the FMV of goods or services received is not readily determinable, then the FMV of rental space is used as the basis for valuing the transaction. Barter transactions are recognized in the period in which they occur. There were no barter transactions for the years ended June 30, 2023 and 2022.

#### Contributed services

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

Volunteers and other companies and organizations have donated amounts of their time and services in support of TPACT's operations. Only those amounts for which an objective basis is available to measure the value of such services and which meet certain criteria are reflected in the accompanying financial statements. Contributed goods and services, which include usher services in the amount \$9,800 and \$25,280 for the years ended June 30, 2023 and 2022, respectively, are recorded as contributions revenue and expense in the accompanying financial statements.

#### Concentration of credit risk

Financial instruments that potentially subject TPACT to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. TPACT has insured all its deposits by placing all cash funds over \$250,000 in Insured Cash Sweep (ICS) accounts which are secured 100% by the Federal Deposit Insurance Corporation (FDIC). Investments are managed by a third party within the guidelines established by the Board of Trustees which, as a matter of policy, limits the amounts which may be invested with one issuer. Management has deemed that all accounts receivable amounts are collectible for fiscal year 2023.

#### Fair value hierarchy

Fair value is defined as the exchange price that would be received to sell 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 fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices or published net asset values in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

Fair value estimates are made at a specific point in time based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

#### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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. Significant estimates include the valuation of alternative investments, grants and accounts receivable, and the present value of contributions receivables. Management reviews the assumptions each year to determine the reasonableness of these estimates.

#### Tax status

TPACT is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

There are no transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews all transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material tax liabilities that need to be recorded at either June 30, 2023 or 2022.

#### Implementation of new standard

During 2023, TPACT adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, retroactive to the year ended June 30, 2021. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation established subscription assets and related subscription liabilities for TPACT's long-term subscription agreements as of June 30, 2021, in the amount of \$599,113.

#### **Note 3 – COVID-19**

The 2020 global outbreak of COVID-19 has disrupted economic markets. During the fourth quarter of fiscal year 2020, TPACT closed the PAC due to regulations around social distancing and number of people allowed in an enclosed area. As such, TPACT did not generate any revenue from events for the fourth quarter fiscal year 2020. The majority of events in fiscal year 2021 and 2020 were postponed to future periods.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. In April 2020, TPACT received loan proceeds of \$407,070 from a bank, under the Paycheck Protection Program (PPP), which was established as part of the CARES Act. The note payable was scheduled to mature in April 2022, bore interest at 1%, and required monthly principal and interest payments commencing November 2020. Loan proceeds are forgivable, after a period of time, if TPACT expends those funds for qualified expenditures through September 2020. In November 2020, TPACT received formal forgiveness from the bank of the entire loan amount and immediately accounted for the PPP loan as a gain on extinguishment of debt in PPP loan forgiveness on the Statements of Revenues, Expenses, and Changes in Net Position.

In March 2021, TPACT received additional loan proceeds in the amount of \$242,410 under the PPP. The loan, which was in the form of a note with a bank, matures in March 2026, and bears interest at a rate of 1% per annum. In September 2021, TPACT received formal forgiveness from the bank of the entire loan amount and immediately accounted for the PPP loan as a gain on extinguishment of debt in PPP loan forgiveness on the Statements of Revenues, Expenses, and Changes in Net Position.

The Shuttered Venue Operators Grant (SVOG) program was established in Section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act) signed into law on December 27, 2020, as part of H.R. 133 Consolidated Appropriations Act, 2021 (Public Law No. 116-260). Section 324 of the Economic Aid Act was amended by Section 5005 of the American Rescue Plan Act (Public Law No. 117-2) signed into law on March 11, 2021. On July 20, 2021, TPACT was approved and received the first round of funding of approximately \$1.3 million under SVOG and on December 20, 2021, was approved and received the supplemental round of funding of approximately \$770 thousand under SVOG. The total \$2 million received under SVOG was recognized as revenue on the Statements of Revenues, Expenses, and Changes in Net Position as the grant funds were utilized meeting the grant requirements.

In March 2021, a vaccine was made available to eradicate COVID-19. Due to the uncertainty of vaccine use and future variants of COVID-19, TPACT is currently unable to estimate the future impact of these economic events on its future financial position, results of operations, and cash flows. Therefore, TPACT can give no assurances that these economic events will not have a material adverse effect on its financial position or results of operations.

The American Rescue Plan Act (ARPA) program was established by the U.S. Department of the Treasury 2021, Section 5005 of the American Rescue Plan Act (Public Law No. 117-2) signed into law on March 11, 2021. Final Rule published on May 17, 2021, with amendments. This rule implements the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act. The effective date of the final rule was April 1, 2022. The City of Tulsa received \$87,826,517 from the federal government in response to the COVID-19 public health emergency and its economic impacts through four categories of eligible use, one of which is for the provision of government services. The City determined that constructing needed building improvements to the Tulsa Performing Arts Center (PAC) owned by the City qualifies as an eligible use for the provision of government services to the community through the continued operation of the PAC. On March 22, 2023, the Tulsa Performing Arts Center Trust was approved by the City of Tulsa to receive \$5.5 million of funding for reimbursement of deferred maintenance and construction of PAC projects from ARPA funds. In 2022 fiscal year, TPACT expended \$238,000 for ARPA related projects. During this time, a contract had not been signed for reimbursement from the City and therefore this was recorded as \$157,000 in expense and \$81,000 in fixed assets as part of the 2022 fiscal year financial statements. In 2023 fiscal year, TPACT expended \$243,000 for ARPA related projects. During the 2023 fiscal year, TPACT was reimbursed \$124,000 and \$95,000 for fiscal year 2022 and fiscal year 2023 ARPA related projects, respectively. TPACT submitted for reimbursement for the remaining amounts owed for ARPA related project totaling \$260,000 in June 2023.

## Note 4 – Investments

### Overall investment objective

The overall investment objective of TPACT is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. TPACT diversifies its investments among various asset classes incorporating multiple strategies and managers and has limits on the amount of credit exposure to any one entity. Investment decisions are authorized by the Board of Trustee's Finance Committee, which oversees TPACT's investment program in accordance with established guidelines.

The following tables summarize TPACT's investments by major category in the fair value hierarchy as of June 30:

<b>2023</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual funds and stocks:				
Equity funds and pooled investments	\$ 1,772,261	\$ 1,772,261	\$ -	\$ -
Fixed income funds and pooled investments	726,483	726,483	-	-
Alternative strategies registered investment companies	294,138	294,138	-	-
Registered investment companies	152,946	152,946	-	-
Total investments	<u>\$ 2,945,828</u>	<u>\$ 2,945,828</u>	<u>\$ -</u>	<u>\$ -</u>
<b>2022</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 21,163	\$ 21,163	\$ -	\$ -
Mutual funds and stocks:				
Equity funds and pooled investments	1,521,040	1,521,040	-	-
Fixed income funds and pooled investments	638,591	638,591	-	-
Alternative strategies registered investment companies	290,063	290,063	-	-
Registered investment companies	169,197	169,197	-	-
Total investments	<u>\$ 2,640,054</u>	<u>\$ 2,640,054</u>	<u>\$ -</u>	<u>\$ -</u>

The following summarizes investment income (loss) components for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Net realized gains	\$ -	\$ -
Net unrealized gains (losses) in fair value of investments	305,774	(427,406)
Investment gain (loss)	<u>\$ 305,774</u>	<u>\$ (427,406)</u>

### Interest rate risk

Interest rate risk is the risk that a change in interest rates will adversely affect the value of an investment. As a means of limiting exposure to fair value losses arising from interest rate and other risks, TPACT's investment policy requires certain asset allocation targets, diversification of equity investments by market

capitalization and global geography, limits bond investments to those rated BBB or better, or in fixed income mutual funds.

Credit risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. TPACT does not have a formal policy to limit its credit risk on investments. TPACT's equity index funds are not subject to credit risk disclosures.

Custodial credit risk

For deposits with financial institutions, custodial credit risk is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty, TPACT will not be able to recover the value of its investment or collateral securities that are in possession of an outside party.

TPACT's investments in equity index funds are not categorized as to custodial credit risk because the investment is not evidenced by securities that exist in physical or book entry form.

TPACT's cash deposits are FDIC insured up to \$250,000 and balances above the FDIC insured limit are swept daily into an ICS account which are secured 100% by FDIC.

Concentration of credit risk

TPACT's investment policy limits to 5% the value of any individual investment unless such investment is a direct obligation of the U.S. government. Mutual funds are not considered to be an individual holding as they are diversified among many holdings.

**Note 5 – Restricted Net Position**

Restricted net position consist of assets with constraints imposed by external contributors. The restricted net position balances are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Community engagement	\$ 217,500	\$ 141,714
Endowment fund corpus income to be used for:		
Unrestricted	50,000	50,000
Community engagement	50,000	50,000
Total endowment fund corpus net assets	<u>100,000</u>	<u>100,000</u>
Total restricted net position	<u>\$ 317,500</u>	<u>\$ 241,714</u>

TPACT's endowment consists of three funds that have been established to support general operations and certain programs. The Palmer endowment principle of \$50,000 is restricted and cannot be spent. The interest earnings on the Palmer endowment are earmarked to fund the Brown Bag It Series. The Hardman endowment principal is \$50,000 and is also restricted. The interest earnings are unrestricted. These funds are invested by TPACT.

## Note 6 – Capital Assets

The changes in capital assets during the year ended June 30, are summarized as follows:

	June 30, 2022	Increases	Transfers	Decreases	June 30, 2023
Artwork	\$ 100,017	\$ -	\$ -	\$ -	\$ 100,017
Total nondepreciable assets	100,017	-	-	-	100,017
Parking lot land	1,394,996	-	-	-	1,394,996
Parking lot land improvements	244,688	-	-	-	244,688
Total assets held for sale	1,639,684	-	-	-	1,639,684
Less accumulated depreciation on parking lot land improvements	(197,614)	-	-	-	(197,614)
Total assets held for sale, net	1,442,070	-	-	-	1,442,070
Theater equipment	212,635	220,863	(80,673)	-	352,825
IT equipment	53,608	35,798	-	-	89,406
Total depreciable assets	266,243	256,661	(80,673)	-	442,231
Less accumulated depreciation for equipment	(105,406)	(51,399)	10,343	-	(146,462)
Total depreciable capital assets, net	160,837	205,262	(70,330)	-	295,769
Total capital assets, net	\$ 260,854	\$ 205,262	\$ (70,330)	\$ -	\$ 395,786

The parking lot land and improvements are considered assets held for sale and were expected to be sold in fiscal year 2024. See Note 8 for further discussion.

On June 18, 2023, the Tulsa Performing Arts Center suffered damage to the building due to the 100 miles per hour winds in Tulsa, Oklahoma. The following areas were damaged: promenade ceiling and tiles, security camera, south promenade door 3rd street entrance doors, digital kiosk 3rd street marquee, HVAC and artwork. All expenses related to storm damage will be covered through Federal Emergency Management Agency (FEMA) reimbursement through the City of Tulsa. As impairment to the building is temporary, the assets will not be written down. The expected recoveries from FEMA will be net with any impairment loss.



## Note 7 – Accounts Receivable

Accounts receivable consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
ARPA reimbursement	\$ 259,676	\$ -
June ticket sales	53,642	23,292
Concessions	49,440	-
Parking	40,521	5,478
Merchandise	30,900	-
Intermission ad sales	25,239	-
Facility rental	1,860	4,002
Other	449	2,555
	<u>\$ 461,727</u>	<u>\$ 35,327</u>

## Note 8 – Parking Lot

In 1994, TPACT purchased a square block of land, appraised at \$1.6 million, with a combination of public and private funds to become a parking facility. This parking lot is to be used and operated as a public parking lot for the benefit of TPACT, patrons of the PAC, and members of the public. In 1995, TPACT contracted with the Tulsa Parking Authority to operate and maintain the parking lot, services including but not limited to daily operation, revenue collection, security, repair, billing and marketing. In 2008, it was agreed that the north half of the parking lot shall be used for visitors and guests of Tulsa City Hall, except at such times events or performances are held at the PAC. In 2021, TPACT did not renew the contract for Tulsa Parking Authority to operate and maintain the parking lot. For the years ended June 30, 2023 and 2022, the parking lot generated approximately \$461,000 and \$297,000, respectively, in revenue and incurred approximately \$192,000 and \$145,000, respectively, in expenses. During 2022, TPACT entered into a contract with a potential buyer for the sale of the parking lot, however the contract terms were not fulfilled and the sale agreement will terminate in fiscal year 2024.

## Note 9 – Subscription Assets and Liabilities

TPACT has four subscription arrangements subject to GASB 96 reporting. The subscriptions use a discount rate of 4%. The schedule of subscription assets, net of accumulated amortization, for the fiscal years are as follows:

	<u>2023</u>	<u>2022</u>
Subscription assets	\$ 646,250	\$ 599,113
Accumulated amortization	(309,568)	(173,871)
	<u>\$ 336,682</u>	<u>\$ 425,242</u>

During the year ended June 30, 2023, new subscription agreements increased subscription assets and liability by \$86,721.

The schedule of future payments that are included in the measurement of the subscription liability, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2024	\$ 185,538	\$ 11,903	\$ 197,441
2025	146,251	4,359	150,610
2026	41,493	178	41,671
	<u>\$ 373,282</u>	<u>\$ 16,440</u>	<u>\$ 389,722</u>

*GASB No. 96 Excluded subscriptions short-term*

In accordance with GASB No. 96, TPACT does not recognize a subscription asset and a subscription liability for short-term subscriptions. Short-term subscriptions are certain subscriptions that, at the commencement of the subscription term, has a maximum possible term under the contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

**Note 10 – Long-Term Liabilities**

The long-term liability balance and activity for the years ended June 30, 2023 and 2022, was as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Amount due within one year</u>
Subscription liability	\$ 463,403	\$ 86,721	\$ (176,842)	\$ 373,282	\$ 185,538
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Amount due within one year</u>
Subscription liability	\$ 599,113	\$ -	\$ (135,710)	\$ 463,403	\$ 135,096

**Note 11 – Commitment and Contingencies**

TPACT is subject to claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters are of such a nature that unfavorable disposition would not have a material adverse effect on the financial position, results of operations or cash flow.

In the normal course of operations, TPACT receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to be material.

TPACT is exposed to various risk of loss related to torts: theft of, damage to and destruction of assets; errors and omission; and natural disasters. TPACT carries insurance policies and would be responsible for deductibles relating to specific claims pertaining to TPACT. The property damage deductible is \$3,000.

## Note 12 – Retirement Plan

TPACT has adopted a retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code. The Plan provides that eligible employees, as defined by the Plan, who have attained the age of 21, and are not temporary employees, may voluntarily contribute to the Plan up to the maximum amount allowed by the Internal Revenue Service. TPACT matches 100% of an employee's contribution up to 6% of eligible employee compensation, resulting in retirement plan expenses of approximately \$115,000 and \$93,000, respectively, for the years ended June 30, 2023 and 2022.

## Note 13 – Related Party Transactions

The following table summarizes TPACT's transactions with related parties for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Revenue:		
Management fee received from City of Tulsa	<u>\$ 2,000,000</u>	<u>\$ 1,750,000</u>
Expenses:		
Contracting services staff paid to City of Tulsa	\$ 98,850	\$ 123,065
Utilities paid to City of Tulsa	34,105	19,934
Stadium Improvement District Tax	<u>5,972</u>	<u>5,834</u>
	<u>\$ 138,927</u>	<u>\$ 148,833</u>

## Note 14 – Subsequent Events

TPACT has evaluated subsequent events through September 19, 2023, the date the financial statements were available to be issued.

On August 8, 2023, voters approved a third Improve Our Tulsa package funded by General Obligation Bonds and a sales tax extension. This Improve Our Tulsa renewal will fund approximately \$79.7 million of improvements and expansion of the Tulsa Performing Arts Center.