



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

FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

WITH

INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Tulsa Performing Arts Center Trust

Report on the Financial Statements

We have audited the accompanying 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise TPACT's basic financial statements as listed in the table of contents.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of TPACT as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2021, on our consideration of TPACT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of TPACT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TPACT's internal control over financial reporting and compliance.

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

Tulsa, Oklahoma
September 8, 2021

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF NET POSITION

June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,209,031	\$ 2,815,620
Investments	3,069,460	2,520,057
Accounts receivable	87,772	146,778
Grant receivable	-	14,000
Prepaid expenses and other assets	-	4,951
Total current assets	6,366,263	5,501,406
Noncurrent assets:		
Nondepreciable capital assets	100,017	100,017
Assets held for sale	1,442,070	1,442,070
Depreciable capital assets, net	71,319	67,430
Total assets	7,979,669	7,110,923
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	175,110	200,737
Advance ticket sales and other unearned revenue	1,218,986	1,067,366
Current maturity of Paycheck Protection Program loan	21,303	183,283
Other liabilities	11,975	6,600
Total current liabilities	1,427,374	1,457,986
Paycheck Protection Program loan, less current maturity	221,107	223,787
Total liabilities	1,648,481	1,681,773
Net position:		
Invested in capital assets	1,613,406	1,609,517
Unrestricted	4,374,400	3,531,184
Restricted	343,382	288,449
Total net position	\$ 6,331,188	\$ 5,429,150

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2021 and 2020

	2021	2020
Operating revenues		
Performance and performance related	\$ 108,792	\$ 1,748,219
Management fee	1,500,000	1,500,000
Presenting and producing	5,775	453,877
Community engagement	2,963	28,982
Marketing	1,050	18,717
Concessions	1,190	194,673
Parking income, net	33,432	140,082
	1,653,202	4,084,550
Operating expenses		
Salaries and benefits	1,227,347	2,135,602
Utilities	460,330	628,626
Contracting services	101,967	612,845
Materials and supplies	66,243	140,322
General and administrative	167,783	457,367
Advertising	12,206	91,270
Depreciation	33,863	22,724
Other	24,022	42,910
	2,093,761	4,131,666
Total operating revenues	1,653,202	4,084,550
Total operating expenses	2,093,761	4,131,666
Operating loss	(440,559)	(47,116)
Nonoperating revenues (expense)		
Contributions	261,386	170,008
Paycheck Protection Program loan forgiveness	407,070	-
Government grants	111,086	14,000
Investment gain (loss)	547,403	(6,419)
Interest income	15,652	51,272
Start-up contribution to City of Tulsa, net	-	(27,017)
	1,342,597	201,844
Total nonoperating revenues	1,342,597	201,844
Change in net position	902,038	154,728
Net position, beginning of year	5,429,150	5,274,422
Net position, end of year	\$ 6,331,188	\$ 5,429,150

See notes to financial statements.

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Receipts from customers	\$ 397,691	\$ 2,639,951
Management fee	1,500,000	1,500,000
Payments to suppliers and others	(881,714)	(1,899,694)
Payments for salaries, employee benefits and taxes	(1,227,347)	(2,015,908)
	(211,370)	224,349
Cash Flows from Noncapital Financing Activities		
Contributions	261,386	156,008
Intergovernmental grants	125,085	14,000
Paycheck protection program loan	242,410	407,070
Start-up contribution to City of Tulsa	-	(27,017)
	628,881	550,061
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(37,752)	(80,592)
Cash Flows from Investing Activities		
Investment income	15,652	44,853
Sales and maturities of investments	200,000	303,360
Purchases of investments	(202,000)	(310,015)
	13,652	38,198
Net cash provided by investing activities	13,652	38,198
Net change in cash and cash equivalents	393,411	732,016
Cash and cash equivalents, beginning of year	2,815,620	2,083,604
Cash and cash equivalents, end of year	\$ 3,209,031	\$ 2,815,620
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (440,559)	\$ (47,116)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	33,863	22,724
Change in operating assets and liabilities:		
Accounts receivable	45,006	(114,966)
Contributions and grants receivable	14,000	-
Prepaid expenses and other assets	4,951	(2,551)
Accounts payable and accrued expenses	(25,626)	195,891
Advance ticket sales and other deferred revenue	151,620	163,767
Other liabilities	5,375	6,600
	(211,370)	224,349
Net cash provided by (used in) operating activities	\$ (211,370)	\$ 224,349

See notes to financial statements.

TULSA PERFORMING ARTS CENTER TRUST

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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: to be the catalyst for performing arts experiences by facilitating and delivering excellent local, national, and international programming for diverse audiences.

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 discretely 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 on-site and 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.

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 deposits, 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 a management fee, facility rental receivable, and parking revenue. Management fee consists of contracted outstanding amount due from City of Tulsa for management services. Facility rental receivable consists of outstanding balances from presenters whom TPACT has not yet settled with. 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 receivables are 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, 2021 or 2020.

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

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.

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 \$1.2 million and \$1.1 million in fiscal year 2021 and 2020, 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, 2021 and 2020, 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; and parking lot net revenue. These revenues are recognized as activity is performed.

Barter transactions

During fiscal year 2020, TPACT entered a barter transaction with a local hotel to trade hotel rooms to provide traveling artists for the rental without charge of TPACT's convention center space. 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. For the year ended June 30, 2020, TPACT recorded barter transactions totaling \$1,625. There were no such barter transactions for the year ended June 30, 2021.

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 \$18,294 for the

year ended June 30, 2020, are recorded as contributions revenue and expense in the accompanying financial statements. There were no such contributed services for the year ended June 30, 2021.

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 2021.

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.

Reclassifications

Certain balances have been reclassified on the statements of net position from prior year. These reclassifications have no impact on the change in net position.

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, 2021 or 2020.

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. Monthly principal and interest payments will commence in February 2022 if not forgiven. PPP loan proceeds and accrued interest are forgivable, after a period of time, if TPACT expends those funds for qualified expenditures.

Future maturities of the PPP loan are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 21,303
2023	57,500
2024	58,078
2025	58,661
2026	46,868
	<u>\$ 242,410</u>

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.

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:

2021	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 202,000	\$ 202,000	\$ -	\$ -
Mutual funds and stocks:				
Equity funds and pooled investments	1,815,185	1,815,185	-	-
Fixed income funds and pooled investments	629,071	629,071	-	-
Alternative strategies registered investment companies	281,535	281,535	-	-
Registered investment companies	141,669	141,669	-	-
Total investments	<u>\$ 3,069,460</u>	<u>\$ 3,069,460</u>	<u>\$ -</u>	<u>\$ -</u>
2020	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 303,360	\$ 303,360	\$ -	\$ -
U.S. treasury bonds	500,000	500,000	-	-
Mutual funds and stocks:				
Traditional domestic index funds	908,140	908,140	-	-
Traditional international index funds	153,983	153,983	-	-
Small-cap index fund	274,373	274,373	-	-
Mid-cap index fund	380,201	380,201	-	-
Total investments	<u>\$ 2,520,057</u>	<u>\$ 2,520,057</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2021	2020
Interest and dividends	\$ -	\$ 4,032
Net realized gains	86,730	-
Net unrealized gains (losses) in fair value of investments	460,673	(10,451)
Investment income (loss)	<u>\$ 547,403</u>	<u>\$ (6,419)</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 and U.S. Treasury securities 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 investment in U.S. Treasury securities are registered securities held by its agent in TPACT's name. 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>2021</u>	<u>2020</u>
Purpose restricted:		
Fixed asset	\$ 150,000	\$ 150,000
Community engagement	93,382	38,449
Total purpose restricted net assets	<u>243,382</u>	<u>188,449</u>
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><u>\$ 343,382</u></u>	<u><u>\$ 288,449</u></u>

TPACT's endowment consists of three funds that have been established to support general operations and certain programs. The Palmer endowment principal 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, 2020	Increases	Transfers	Decreases	June 30, 2021
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	85,537	2,884	-	-	88,421
IT equipment	5,055	34,868	-	-	39,923
Total depreciable assets	90,592	37,752	-	-	128,344
Less accumulated depreciation for equipment	(23,162)	(33,863)	-	-	(57,025)
Total depreciable capital assets, net	67,430	3,889	-	-	71,319
Total capital assets, net	\$ 167,447	\$ 3,889	\$ -	\$ -	\$ 171,336

The parking lot land and improvements are considered assets held for sale and are expected to be sold in fiscal year 2022. See Note 9 for further discussion.

Note 7 – Accounts Receivable

Accounts receivable consists of the following at June 30:

	2021	2020
Management fee	\$ -	\$ 120,000
June ticket sales refunds	77,348	12,439
Facility rental	-	8,803
Sales tax receivable	-	3,439
Parking	9,987	2,057
Other	437	40
Less allowance for doubtful accounts	-	-
Accounts receivable, net	<u>\$ 87,772</u>	<u>\$ 146,778</u>

Note 8 – Grant Receivable

In fiscal year 2020 a grant receivable of \$14,000 was recorded. This amount was collected in August 2020.

Note 9 – 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. For services provided, TPACT remits to the Tulsa Parking Authority a management fee of \$5,000 annually. 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. For the years ended June 30, 2021 and 2020, the parking lot generated \$114,000 and \$322,000, respectively in revenue and incurred \$81,000 and \$182,000, respectively in expenses. During 2020, TPACT entered into discussions with a potential buyer for the sale of the parking lot. Execution of the contract is expected in fiscal year 2022.

Note 10 – 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, result 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 11 – 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 \$48,000 and \$81,000, respectively, for the years ended June 30, 2021 and 2020.

Note 12 – Related Party Transactions

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

	<u>2021</u>	<u>2020</u>
Revenue:		
Management fee received from City of Tulsa	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Expenses:		
Contracting services staff paid to City of Tulsa	\$ 119,782	\$ 117,000
Parking lot expense paid to Tulsa Parking Authority	5,000	5,000
Utilities paid to City of Tulsa	8,205	24,557
	<u>\$ 132,987</u>	<u>\$ 146,557</u>

Note 13 – Subsequent Events

TPACT has evaluated subsequent events through September 8, 2021, the date the financial statements were available to be issued.

In July 2021, TPACT received approximately \$1,300,000 from the Shuttered Venue Operators Grant through the U.S. Small Business Administration.

OTHER REPORT

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*

To the Board of Trustees
Tulsa Performing Arts Center Trust

We have audited, in accordance with the 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 of Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TPACT'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 TPACT's internal control. Accordingly, we do not express an opinion on the effectiveness of TPACT'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TPACT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Tulsa, Oklahoma
September 8, 2021