

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORT
June 30, 2019 and 2018

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2019 and 2018

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Tulsa Performing Arts Center Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2019 and 2018, 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 Responsibility for the Financial Statements

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TPACT, as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise TPACT's basic financial statements. The combining schedules and related note, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Kansas City, Missouri
November 6, 2019

**TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2019 and 2018**

As management of the Tulsa Performing Arts Center Trust (“TPACT”), a component unit of the City of Tulsa, Oklahoma (the “City”), we offer readers of TPACT’s financial statements this narrative overview and analysis of the financial activities of TPACT for the years ended June 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with TPACT’s financial statements, which begin on page 7.

Financial Highlights

- Assets exceeded liabilities at the close of the most recent year by \$5,595,784. Of this amount, \$150,000 is restricted for capital projects and \$3,894,072 is unrestricted and may be used to meet TPACT’s ongoing obligations.
- Net position increased from \$4,751,876 at June 30, 2018 to \$5,595,784 at June 30, 2019. During 2019, TPACT generated an increase in net position of \$843,908 compared to an increase of \$205,037 in 2018.
- Cash and cash equivalents at June 30, 2019 were \$1,532,813, a \$684,348 increase from June 30, 2018.

Overview of the Financial Statements

TPACT, a public trust, is reported by the City as a discretely presented component unit in the City’s Comprehensive Annual Financial Report. TPACT was established to assist the City in operating and maintaining the Tulsa Performing Arts Center and to provide financial assistance, direction and other assistance in connection with events occurring or proposed to occur in the Tulsa Performing Arts Center.

This discussion and analysis is intended to serve as an introduction to TPACT’s audit report. This audit report consists of two parts: 1) management’s discussion and analysis and 2) financial statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2019 and 2018

Required Financial Statements

The financial statements of TPACT report information using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The statement of net position includes all of TPACT's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of TPACT. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the financial success of TPACT's operations over the past year and can be used to determine whether TPACT has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The third required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about TPACT's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the period.

Net Position

Net position increased to \$5,595,784 at June 30, 2019 from \$4,751,876 and \$4,546,839 at June 30, 2018 and 2017, respectively. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets and other assets	\$ 4,080,427	\$ 3,263,036	\$ 3,008,257
Capital assets, net	1,551,712	1,551,585	1,561,125
Total assets	<u>5,632,139</u>	<u>4,814,621</u>	<u>4,569,382</u>
Total liabilities	<u>36,355</u>	<u>62,745</u>	<u>22,543</u>
Investment in capital assets	1,551,712	1,551,585	1,561,125
Restricted for capital projects	150,000	-	-
Unrestricted	<u>3,894,072</u>	<u>3,200,291</u>	<u>2,985,714</u>
Total net position	<u>\$ 5,595,784</u>	<u>\$ 4,751,876</u>	<u>\$ 4,546,839</u>

In 2019, total assets increased \$817,518 primarily due to a transfer of cash from the City of Tulsa for the management transition. See footnote 7 for further discussion. Total liabilities decreased \$26,390 primarily due to a decrease in accounts payable.

In 2018, total assets increased \$245,239 primarily due to an increase in cash and investments resulting from return on investments. Total liabilities increased \$40,202 primarily due to an increase in unearned revenue.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2019 and 2018

SUMMARY OF CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 384,412	\$ 349,481	\$ 378,799
Other nonoperating revenues	1,007,913	74,600	91,779
Investment income	<u>166,650</u>	<u>206,384</u>	<u>243,872</u>
Total revenues	<u>1,558,975</u>	<u>630,465</u>	<u>714,450</u>
Depreciation expense	9,873	9,540	9,540
Other operating expenses	<u>705,194</u>	<u>415,888</u>	<u>475,408</u>
Total expenses	<u>715,067</u>	<u>425,428</u>	<u>484,948</u>
Change in net position	843,908	205,037	379,502
Net position, beginning of year	<u>4,751,876</u>	<u>4,546,839</u>	<u>4,467,337</u>
Net position, end of year	<u>\$ 5,595,784</u>	<u>\$ 4,751,876</u>	<u>\$ 4,846,839</u>

In 2019, TPACT's total revenues increased \$928,510 or 147%. Operating revenues increased \$34,931 or 10% and nonoperating revenues increased \$933,313, or 1251% due to \$737,787 and \$150,000 of contributions from the City of Tulsa for the management transition and capital contributions, respectively. See footnote 7 for further discussion. Investment income decreased \$39,734, or 19%, due to a \$57,830 decrease in the fair value of the investment portfolio, partially offset by an \$18,096 increase in interest and dividend income.

In 2018, TPACT's total revenues decreased \$83,985 or 12%. Operating revenues decreased \$29,318 primarily due to a decrease in performing arts event revenues. Nonoperating revenues decreased \$17,179 due to a decrease in contributions, and investment income decreased \$37,488 due to a decrease in the fair value of equity fund portfolio compared to the prior year.

In 2019, total expenses increased \$289,639 or 68% primarily due to an increase in performers and artist services related primarily to education endeavors, and an increase in materials and supplies primarily related to the management transition.

In 2018, total expenses decreased \$59,520 primarily due to a decrease in service charges paid to performing artists corresponding to the decrease in performances and a decrease in grants made to outside agencies.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2019 and 2018

Capital Assets

TPACT's investment in capital assets as of June 30, 2019 amounts to \$1,551,712 (net of accumulated depreciation). At June 30, 2018, TPACT's investment in capital assets was \$1,551,585 (net of accumulated depreciation).

	CAPITAL ASSETS		
	2019	2018	2017
Land	\$ 1,394,996	\$ 1,394,996	\$ 1,394,996
Artwork	100,017	100,017	100,017
Equipment	25,830	15,830	15,830
Land improvements	228,920	228,920	228,920
	<u>1,749,763</u>	<u>1,739,763</u>	<u>1,739,763</u>
Less accumulated depreciation	(198,051)	(188,178)	(178,638)
Capital assets, net	<u>\$ 1,551,712</u>	<u>\$ 1,551,585</u>	<u>\$ 1,561,125</u>

Requests for Information

This financial report is designed to provide a general overview of TPACT's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tulsa, Office of the Controller, 175 E. Second Street, Suite 1570, Tulsa, Oklahoma 74103.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 1,532,813	\$ 848,465
Investments	2,015,531	1,910,589
Interest receivable	12,656	8,655
Accounts receivable	19,156	8,419
Prepaid items	<u>2,400</u>	<u>-</u>
Total current assets	3,582,556	2,776,128
Noncurrent assets:		
Investments	497,871	486,908
Nondepreciable capital assets	1,495,013	1,495,013
Depreciable capital assets, net	<u>56,699</u>	<u>56,572</u>
Total assets	<u>5,632,139</u>	<u>4,814,621</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	1,255	20,000
Unearned revenue	<u>35,100</u>	<u>42,745</u>
Total current liabilities	<u>36,355</u>	<u>62,745</u>
 <u>NET POSITION</u>		
Investment in capital assets	1,551,712	1,551,585
Restricted for capital projects	150,000	-
Unrestricted	<u>3,894,072</u>	<u>3,200,291</u>
Total net position	<u>\$ 5,595,784</u>	<u>\$ 4,751,876</u>

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

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Event revenues	\$ 31,107	\$ 10,817
Parking revenues	<u>353,305</u>	<u>338,664</u>
 Total operating revenues	 <u>384,412</u>	 <u>349,481</u>
 Operating expenses:		
Contracting services	75,000	75,000
Materials and supplies	81,315	1,526
Advertising	12,844	1,545
Auditing	16,200	15,800
Rental fees	7,850	22,638
Grants	16,968	13,021
Parking lot expenses	237,712	212,091
Performers and artist services	152,644	51,200
Services and charges	104,661	23,067
Depreciation	<u>9,873</u>	<u>9,540</u>
 Total operating expenses	 <u>715,067</u>	 <u>425,428</u>
 Operating loss	 <u>(330,655)</u>	 <u>(75,947)</u>
 Nonoperating revenues:		
Investment income	166,650	206,384
Contributions	120,126	74,600
Contributions for management transition - City of Tulsa	<u>737,787</u>	<u>-</u>
 Total nonoperating revenues	 <u>1,024,563</u>	 <u>280,984</u>
 Income before contributions	 693,908	 205,037
 Capital contributions from City of Tulsa	 <u>150,000</u>	 <u>-</u>
 Change in net position	 843,908	 205,037
 Net position, beginning of year	 <u>4,751,876</u>	 <u>4,546,839</u>
 Net position, end of year	 <u>\$ 5,595,784</u>	 <u>\$ 4,751,876</u>

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

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 380,675	\$ 350,271
Payments to suppliers for goods and services	<u>(733,339)</u>	<u>(418,431)</u>
Net cash used by operating activities	<u>(352,664)</u>	<u>(68,160)</u>
Cash flows from noncapital financing activities:		
Contributions received	112,481	117,345
Contributions for management transition - City of Tulsa	<u>737,787</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>850,268</u>	<u>117,345</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(10,000)	-
Capital contributions - City of Tulsa	<u>150,000</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>140,000</u>	<u>-</u>
Cash flows from investing activities:		
Investment income received	78,426	45,659
Investments purchased	(333,041)	(318,443)
Sale and maturity of investments	<u>301,359</u>	<u>422,211</u>
Net cash provided by investing activities	<u>46,744</u>	<u>149,427</u>
Net increase in cash and cash equivalents	684,348	198,612
Cash and cash equivalents, beginning of year	<u>848,465</u>	<u>649,853</u>
Cash and cash equivalents, end of year	<u>\$ 1,532,813</u>	<u>\$ 848,465</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (330,655)	\$ (75,947)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	9,873	9,540
Change in accounts receivable	(10,737)	790
Change in prepaid items	(2,400)	-
Change in accounts payable	<u>(18,745)</u>	<u>(2,543)</u>
Net cash used by operating activities	<u>\$ (352,664)</u>	<u>\$ (68,160)</u>
Noncash investing activities:		
Appreciation in fair value of investments	<u>\$ 94,791</u>	<u>\$ 158,303</u>

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

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF BUSINESS AND REPORTING ENTITY – The Tulsa Performing Arts Center Trust (“TPACT”) is a public trust created under the provisions of the Oklahoma Trust Act. TPACT’s mission is to assist the City of Tulsa (the “City”) in operating and maintaining the Tulsa Performing Arts Center and to provide financial assistance, direction, and other assistance in connection with events occurring or proposed to occur in the Tulsa Performing Arts Center. The City owns the Tulsa Performing Arts Center and the furniture and equipment within the facility. Therefore, these assets are not reflected in the financial statements of TPACT.

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.

BASIS OF ACCOUNTING AND PRESENTATION – The financial statements of TPACT are prepared in accordance with generally accepted accounting principles (“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 financial 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 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 – Cash and cash equivalent balances include both the amounts held within the City’s pooled portfolio and other cash and cash equivalent balances held at other financial institutions. TPACT’s cash and cash equivalents are recorded at the net asset value of their position in the City’s pooled portfolio and other financial institutions.

TPACT is allocated interest monthly based on their average daily position in the City’s pooled portfolio. Changes in fair value of the City’s pooled portfolio are allocated annually based on TPACT’s position as of June 30.

For purposes of reporting cash flows, TPACT considers all highly liquid debt instruments with an original maturity of three months or less when purchased, and amounts held by the City’s portfolio pool, to be cash equivalents.

The amounts held in the City’s pooled portfolio are considered liquid as they are available to be withdrawn on demand, with no redemption restrictions.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, Continued

INVESTMENTS – TPACT may invest in equities and fixed income obligations of the U.S. Government, its agencies or instrumentalities. The investments of TPACT are reported at fair value.

FAIR VALUE MEASUREMENTS – TPACT categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. TPACT categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority's own assumptions as there is little, if any, related market activity.

Hierarchy – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs – If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

ACCOUNTS RECEIVABLE – These amounts consist primarily of parking revenue due from the parking operator at year end. Management at TPACT believes this amount is fully collectible and has not reported an allowance for uncollectible receivables.

UNEARNED REVENUE – Unearned revenue represents payments and/or revenue received but not yet recognized since it has not yet been earned. Unearned revenue primarily consists of contributions for performances not yet held as of the end of the fiscal year.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

CAPITAL ASSETS – Capital assets are stated at cost. TPACT’s capitalization threshold is \$5,000. Capital assets are depreciated on a straight-line basis over the following estimated service life:

Equipment	3-20 years
Land improvements	15-30 years

TPACT owns a collection of art housed in the Performing Arts Center. The collection is not depreciated because 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.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

NET POSITION – Net position of TPACT represents the difference between assets and liabilities. Investment 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.

INCOME TAXES – TPACT is exempt from federal income taxes under Section 501(c)(3) and Section 115(1) of the Internal Revenue Code.

USE OF ESTIMATES – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATIONS - Certain reclassifications have been made to the 2018 financial statements to conform to 2019 financial statement presentation. These reclassifications have no effect on total net position or changes in net position.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

2. CASH DEPOSITS AND INVESTMENTS

CASH AND CASH EQUIVALENTS – Cash deposits of TPACT are held within the City’s pooled portfolio. The City’s pooled portfolio consists primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2019 and 2018 TPACT maintained balances of \$325,981 and \$848,465, respectively, in the City’s pooled portfolio which represented 0.04% and 0.10%, respectively of the City’s pooled portfolio. The City’s pooled portfolio is collateralized by securities held by the City or its agent in the City’s name as of June 30, 2019 and 2018.

At June 30, 2019, TPACT maintained \$1,206,832 of cash held separately at a local financial institution to facilitate the transition of financial management under the new agreement, which went into effect July 1, 2019. The City contributed \$887,787 to TPACT during the fiscal year for the management transition, which included \$150,000 restricted for capital assets. See footnote 7 for further discussion.

Please refer to the City’s Comprehensive Annual Financial Report for additional information on the City’s pooled portfolio, including required disclosures of risk and fair value measurement techniques. A copy of the City’s separately-issued report can be obtained at www.cityoftulsa.org.

INVESTMENTS – For the years ended June 30, TPACT had the following investments:

2019:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>		<u>Fair Value Measurement</u>
		<u>Less than 1</u>	<u>1-5</u>	
Equity index funds	\$ 1,715,052	\$ 1,715,052	\$ -	Level 1
U.S. Treasury securities	798,350	300,479	497,871	Level 1
	<u>\$ 2,513,402</u>	<u>\$ 2,015,531</u>	<u>\$ 497,871</u>	

2018:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>		<u>Fair Value Measurement</u>
		<u>Less than 1</u>	<u>1-5</u>	
Equity index funds	\$ 1,612,207	\$ 1,612,207	\$ -	Level 1
U.S. Treasury securities	785,290	298,382	486,908	Level 1
	<u>\$ 2,397,497</u>	<u>\$ 1,910,589</u>	<u>\$ 486,908</u>	

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

2. **CASH DEPOSITS AND INVESTMENTS**, Continued

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 its exposure to fair value losses arising from rising interest rates, TPACT’s investment policy states that a maximum of approximately 50% of the market value of the Trust’s portfolio may be invested in equity index funds with the remainder invested in fixed income securities or cash reserves. Fixed income securities are to consist of U.S. government or agency obligations and cash reserves may consist of deposits with financial institutions, money markets, repurchase agreements or the City’s pooled portfolio. The equity index funds are not subject to interest rate risk.

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

TPACT’s investments 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 held separately at June 30, 2019 for use under the new management agreement are FDIC insured up to \$250,000 and not collateralized. The collateralization instruments that the City currently holds do not extend coverage to these accounts. The separately held bank account balance at June 30, 2019 in excess of the FDIC limit, \$1,029,076, is not insured or collateralized.

Concentration of Credit Risk – TPACT places no limit on the amount that may be invested in any one issuer. At June 30, 2019 and 2018, TPACT’s investments in the equity index funds and U.S. Treasury securities are not subject to concentration of credit risk disclosure.

INVESTMENT INCOME – Investment income for the years ended June 30 consists of:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 71,852	\$ 53,756
Net increase in fair value of investments	94,798	152,628
	<u>\$ 166,650</u>	<u>\$ 206,384</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

3. **CAPITAL ASSETS**

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

2019:	Beginning			Ending
	Balance	Additions	Reductions	Balance
Nondepreciable assets:				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	100,017	-	-	100,017
Total nondepreciable capital assets	<u>1,495,013</u>	<u>-</u>	<u>-</u>	<u>1,495,013</u>
Depreciable assets:				
Equipment	15,830	10,000	-	25,830
Land improvements	228,920	-	-	228,920
Total capital assets being depreciated	<u>244,750</u>	<u>10,000</u>	<u>-</u>	<u>254,750</u>
Accumulated depreciation:				
Equipment	(6,464)	(1,916)	-	(8,380)
Land improvements	(181,714)	(7,957)	-	(189,671)
Total accumulated depreciation	<u>(188,178)</u>	<u>(9,873)</u>	<u>-</u>	<u>(198,051)</u>
Depreciable capital assets, net	<u>56,572</u>	<u>127</u>	<u>-</u>	<u>56,699</u>
Capital assets, net	<u>\$ 1,551,585</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 1,551,712</u>
2018:	Beginning			Ending
	Balance	Additions	Reductions	Balance
Nondepreciable assets:				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	100,017	-	-	100,017
Total nondepreciable capital assets	<u>1,495,013</u>	<u>-</u>	<u>-</u>	<u>1,495,013</u>
Depreciable assets:				
Equipment	15,830	-	-	15,830
Land improvements	228,920	-	-	228,920
Total capital assets being depreciated	<u>244,750</u>	<u>-</u>	<u>-</u>	<u>244,750</u>
Accumulated depreciation:				
Equipment	(4,881)	(1,583)	-	(6,464)
Land improvements	(173,757)	(7,957)	-	(181,714)
Total accumulated depreciation	<u>(178,638)</u>	<u>(9,540)</u>	<u>-</u>	<u>(188,178)</u>
Depreciable capital assets, net	<u>66,112</u>	<u>(9,540)</u>	<u>-</u>	<u>56,572</u>
Capital assets, net	<u>\$ 1,561,125</u>	<u>\$ (9,540)</u>	<u>\$ -</u>	<u>\$ 1,551,585</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

4. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2019 and 2018, TPACT had the following transactions with related parties:

	<u>2019</u>	<u>2018</u>
Contracting services, staff support paid to the City of Tulsa	\$ 75,000	\$ 75,000
Parking lot expense, parking lot management paid to Tulsa Parking Authority	\$ 5,000	\$ 5,000
Rental fees, rent at the Performing Arts Center paid to the City of Tulsa	\$ 7,850	\$ 22,638
Contributions for performances received from the City of Tulsa	\$ 4,380	\$ 1,600
Contributions for management transition from the City of Tulsa	\$ 737,787	\$ -
Capital contributions from the City of Tulsa	\$ 150,000	\$ -

5. RISK MANAGEMENT

TPACT is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City carries commercial insurance for general liability and property damage. TPACT is included in the City's insurance policies and would be responsible for deductibles relating to specific claims pertaining to TPACT. The property damage deductible is \$150,000. There have been no significant reductions in insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years.

6. CONTINGENCIES

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.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019 and 2018

7. SUBSEQUENT EVENTS

As of July 1, 2019, TPACT entered into a new management agreement with the City of Tulsa. By the agreement, the City engages TPACT to be the sole and exclusive manager and operator of the PAC during the contract term, July 1, 2019 - June 30, 2044, in exchange for an annual fee ranging from \$1,500,000 to \$3,000,000 plus an annual CPI adjustment. Among other provisions, the agreement requires that TPACT maintain accurate and complete accounting records and submit an annual budget, audited financial statements, a self-assessment report and periodically a list of capital expenditures to the City's Director of Finance.

To complete the transition of financial management, the City transferred TPACT's \$313,350 pooled cash balance in July 2019 and \$550,791 Performing Arts Center escrow balance in August 2019. As of October 2019, TPACT had insured all of its deposits by placing all cash funds in Insured Cash Sweep (ICS) accounts which are secured 100 percent by FDIC. See footnote 2, custodial credit risk, for further discussion.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTE TO OTHER SUPPLEMENTARY INFORMATION
June 30, 2019

OTHER SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, TPACT presents a combining schedule of net position, a combining schedule of revenues, expenses and changes in net position and a combining schedule of cash flows for its five subsidiary funds of the operations of TPACT. Brief explanations of these subsidiary funds are as follows:

The Operating Fund – This fund is used to account for the revenue from ticket sales and related operating expenses for certain TPACT sponsored functions held at the Tulsa Performing Arts Center.

The Unrestricted Endowment Fund – This fund is used to account for contributions and related interest income which are unrestricted by donors. The Board has designated the use of income earned in this account to obtaining cultural events for the Tulsa Performing Arts Center. Income earned in this account may also be used to fund general equipment purchases.

The Restricted Endowment Fund – This fund is used to account for contributions from private sources. TPACT's board has restricted the use of the principal and/or investment income for specific purposes. There is no third party external restriction on the contributions, therefore net position is classified as unrestricted.

The Special Event Fund – This fund is used to account for special events designated by the Board.

The Parking Lot Fund – This fund is used to account for a parcel of land acquired in 1994 and held for future development. The acquisition included an existing parking lot. This fund will account for the land and land improvements and the revenues and related operating expenses derived from the parking lot operations until such time that the land is developed.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF NET POSITION
June 30, 2019

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 972,327	\$ 495,800	\$ 34,821	\$ 4,935	\$ 24,930	\$ 1,532,813
Investments	-	1,914,755	100,776	-	-	2,015,531
Interest receivable	712	11,295	583	11	55	12,656
Accounts receivable	7,000	-	-	-	12,156	19,156
Prepaid items	2,400	-	-	-	-	2,400
Total current assets	982,439	2,421,850	136,180	4,946	37,141	3,582,556
Noncurrent assets:						
Investments	-	472,976	24,895	-	-	497,871
Nondepreciable capital assets	52,617	-	-	47,400	1,394,996	1,495,013
Depreciable capital assets, net	9,667	-	-	-	47,032	56,699
Total assets	1,044,723	2,894,826	161,075	52,346	1,479,169	5,632,139
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	1,255	-	-	-	-	1,255
Unearned revenue	35,100	-	-	-	-	35,100
Total current liabilities	36,355	-	-	-	-	36,355
<u>NET POSITION</u>						
Investment in capital assets	62,284	-	-	47,400	1,442,028	1,551,712
Restricted for capital projects	150,000	-	-	-	-	150,000
Unrestricted	796,084	2,894,826	161,075	4,946	37,141	3,894,072
Total net position	\$ 1,008,368	\$ 2,894,826	\$ 161,075	\$ 52,346	\$ 1,479,169	\$ 5,595,784

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION
Year Ended June 30, 2019

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Operating revenues:						
Event revenues	\$ 31,107	\$ -	\$ -	\$ -	\$ -	\$ 31,107
Parking revenues	-	-	-	-	353,305	353,305
Total operating revenues	31,107	-	-	-	353,305	384,412
Operating expenses:						
Contracting services	75,000	-	-	-	-	75,000
Materials and supplies	81,315	-	-	-	-	81,315
Advertising	12,844	-	-	-	-	12,844
Auditing	16,200	-	-	-	-	16,200
Rental fees	7,850	-	-	-	-	7,850
Grants	16,968	-	-	-	-	16,968
Parking lot expenses	-	-	-	-	237,712	237,712
Performers and artist services	148,543	-	4,101	-	-	152,644
Services and charges	103,969	-	692	-	-	104,661
Depreciation	333	-	-	-	9,540	9,873
Total operating expenses	463,022	-	4,793	-	247,252	715,067
Operating income (loss)	(431,915)	-	(4,793)	-	106,053	(330,655)
Nonoperating revenues:						
Investment income	13,397	144,919	7,346	137	851	166,650
Contributions	120,126	-	-	-	-	120,126
Contributions for management transition - City of Tulsa	737,787	-	-	-	-	737,787
Total nonoperating revenues	871,310	144,919	7,346	137	851	1,024,563
Income before contributions and transfers	439,395	144,919	2,553	137	106,904	693,908
Capital contributions from City of Tulsa	150,000	-	-	-	-	150,000
Transfers in	171,660	121,019	2,650	-	-	295,329
Transfers out	(2,650)	(171,660)	-	-	(121,019)	(295,329)
Change in net position	758,405	94,278	5,203	137	(14,115)	843,908
Net position, beginning of year	249,963	2,800,548	155,872	52,209	1,493,284	4,751,876
Net position, end of year	\$ 1,008,368	\$ 2,894,826	\$ 161,075	\$ 52,346	\$ 1,479,169	\$ 5,595,784

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS
Year Ended June 30, 2019

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Cash flows from operating activities:						
Receipts from customers	\$ 31,107	\$ -	\$ -	\$ -	\$ 349,568	\$ 380,675
Payments to suppliers	(490,834)	-	(4,793)	-	(237,712)	(733,339)
Net cash provided (used) by operating activities	(459,727)	-	(4,793)	-	111,856	(352,664)
Cash flows from noncapital financing activities:						
Contributions received	112,481	-	-	-	-	112,481
Contributions for management transition - City of Tulsa	737,787	-	-	-	-	737,787
Transfers in	171,660	121,019	2,650	-	-	295,329
Transfers out	(2,650)	(171,660)	-	-	(121,019)	(295,329)
Net cash provided (used) by noncapital financing activities	1,019,278	(50,641)	2,650	-	(121,019)	850,268
Cash flows from capital and related financing activities:						
Purchase of capital assets	(10,000)	-	-	-	-	(10,000)
Capital contributions - City of Tulsa	150,000	-	-	-	-	150,000
Net cash provided by capital and related financing activities	140,000	-	-	-	-	140,000
Cash flows from investing activities:						
Investment income received	13,504	61,077	2,826	142	877	78,426
Investments purchased	-	(316,389)	(16,652)	-	-	(333,041)
Sale and maturity of investments	-	286,291	15,068	-	-	301,359
Net cash provided by investing activities	13,504	30,979	1,242	142	877	46,744
Net increase (decrease) in cash and cash equivalents	713,055	(19,662)	(901)	142	(8,286)	684,348
Cash and cash equivalents, beginning of year	259,272	515,462	35,722	4,793	33,216	848,465
Cash and cash equivalents, end of year	\$ 972,327	\$ 495,800	\$ 34,821	\$ 4,935	\$ 24,930	\$ 1,532,813
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (431,915)	\$ -	\$ (4,793)	\$ -	\$ 106,053	\$ (330,655)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	333	-	-	-	9,540	9,873
Change in accounts receivable	(7,000)	-	-	-	(3,737)	(10,737)
Change in prepaid items	(2,400)	-	-	-	-	(2,400)
Change in accounts payable	(18,745)	-	-	-	-	(18,745)
Net cash provided (used) by operating activities	\$ (459,727)	\$ -	\$ (4,793)	\$ -	\$ 111,856	\$ (352,664)
Noncash investing activities:						
Appreciation of fair value of investments	\$ 10,570	\$ 80,009	\$ 4,212	\$ -	\$ -	\$ 94,791

