

**TULSA PERFORMING ARTS CENTER TRUST**

**(A Component Unit of the City of Tulsa, Oklahoma)**

**FINANCIAL REPORT**

**June 30, 2014 and 2013**

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**INDEX**  
**June 30, 2014 and 2013**

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## Independent Auditor's Report

Board of Trustees  
Tulsa Performing Arts Center Trust  
Tulsa, Oklahoma

### 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, 2014 and 2013, 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 opinions.

### *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, 2014 and 2013, 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 on pages 3 through 6 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 audit was conducted for the purpose of forming opinions 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 audit 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.

*McGladrey LLP*

Kansas City, Missouri  
October 29, 2014

**TULSA PERFORMING ARTS CENTER TRUST  
(A Component Unit of the City of Tulsa, Oklahoma)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2014 and 2013**

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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, 2014 and 2013. 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 current year by \$4,058,419. Of this amount, \$2,477,925 is unrestricted and may be used to meet TPACT's ongoing obligations.
- Net position increased from \$3,801,754 at June 30, 2013 to \$4,058,419 at June 30, 2014. During 2014, TPACT generated an increase in net position of \$256,665 compared to an increase of \$148,678 in 2013.
- Cash and cash equivalents at June 30, 2014 were \$1,148,959, a \$33,121 decrease from June 30, 2013.

**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, 2014 and 2013**

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**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 \$4,058,419 at June 30, 2014 from \$3,801,754 and \$3,653,076 at June 30, 2013 and 2012, respectively. The following table provides a summary of net position:

**SUMMARY OF NET POSITION**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets and other assets	\$ 2,485,857	\$ 2,265,001	\$ 2,089,677
Capital assets, net	<u>1,580,494</u>	<u>1,556,753</u>	<u>1,564,711</u>
Total assets	<u>4,066,351</u>	<u>3,821,754</u>	<u>3,654,388</u>
Total liabilities	<u>7,932</u>	<u>20,000</u>	<u>1,312</u>
Investment in capital assets	1,580,494	1,556,753	1,564,711
Unrestricted	<u>2,477,925</u>	<u>2,245,001</u>	<u>2,088,365</u>
Total net position	<u>\$ 4,058,419</u>	<u>\$ 3,801,754</u>	<u>\$ 3,653,076</u>

In 2014 total assets increased \$244,597. The increase in current assets of \$220,856 is related to increases in investments of \$264,897 due to fair market value increases, increases in prepaid expenses of \$12,000, decreases in unrestricted cash of \$33,121 and decreases in receivables of \$22,920. The net increase in capital assets, net of \$23,741 is attributable to equipment and artwork additions. Total liabilities decreased \$12,068 attributable to a decline in unearned revenue.

In 2013 total assets increased \$167,366. The increase in current assets of \$175,324 is related to combined increases in cash plus investments of \$147,711 due to fair market value increases, increases in receivables of \$27,613. The net decrease in capital assets, net of \$7,958 is due to depreciation. Total liabilities increased \$18,668 related to 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, 2014 and 2013**

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**SUMMARY OF CHANGES IN NET POSITION**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 455,272	\$ 442,443	\$ 439,293
Nonoperating revenues	149,481	141,585	102,144
Investment income	<u>281,598</u>	<u>187,607</u>	<u>14,196</u>
Total revenues	<u>886,351</u>	<u>771,635</u>	<u>555,633</u>
Depreciation expense	8,089	7,958	7,957
Other operating expense	<u>628,597</u>	<u>614,999</u>	<u>569,512</u>
Total expenses	<u>636,686</u>	<u>622,957</u>	<u>577,469</u>
Income (loss) before capital contributions	249,665	148,678	(21,836)
Capital contributions from City of Tulsa	<u>7,000</u>	<u>-</u>	<u>-</u>
Change in net position	256,665	148,678	(21,836)
Net position, beginning of year	<u>3,801,754</u>	<u>3,653,076</u>	<u>3,674,912</u>
Net position, end of year	<u>\$ 4,058,419</u>	<u>\$ 3,801,754</u>	<u>\$ 3,653,076</u>

In 2014, TPACT experienced a 14.9% increase in total revenue and a 2.2% increase in total expenses. Revenues exceeded expenses by \$249,665 with an accompanying 72.6% increase in the change in net position. Operating revenues include revenues generated from performing arts events and parking revenues. Operating revenues increased 2.9% during 2014, a result of increases in parking lot revenue offset by decreases in event revenue.

In 2013, TPACT experienced a 38.9% increase in total revenue and a 7.9% increase in total expenses. Revenues exceeded expenses by \$148,678 with an accompanying 4.1% increase in the change in net position. Operating revenues include revenues generated from performing arts events and parking revenues. Operating revenues increased 1% during 2013, a result of decreased event revenues and increased parking revenues.

In 2014, investment income increased 50.1% as a result of an increase in the value of the equity mutual fund portfolio. In 2013, investment income increased 1221.5% as a result of an increase in the value of the equity mutual fund portfolio.

In 2014, other operating expenses increased 2.2% as a result of an increase in grant sponsorships offset by a decrease in contracting services during the current year. In 2013, other operating expenses increased 8.0% as a result of an increase in advertising and service charges paid to performing artists during the year.

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**Years Ended June 30, 2014 and 2013**

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**Capital Assets**

TPACT's investment in capital assets as of June 30, 2014 and 2013 was \$1,580,494 and \$1,556,753, respectively (net of accumulated depreciation). TPACT paid \$31,830 during 2014 related to the purchase of capital assets.

**CAPITAL ASSETS**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,394,996	\$ 1,394,996	\$ 1,394,996
Artwork	90,767	74,767	74,767
Equipment	15,698	-	-
Land improvements	79,033	86,990	94,948
Capital assets, net	<u>\$ 1,580,494</u>	<u>\$ 1,556,753</u>	<u>\$ 1,564,711</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, Tulsa, Oklahoma 74103.



**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**STATEMENTS OF NET POSITION**  
**June 30, 2014 and 2013**

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<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 1,148,959	\$ 1,182,080
Investments	1,300,353	1,035,456
Interest receivable	2,608	1,699
Accounts receivable	16,437	45,766
Grants receivable	5,500	-
Prepaid expenses	<u>12,000</u>	<u>-</u>
 Total current assets	 2,485,857	 2,265,001
Noncurrent assets:		
Nondepreciable capital assets	1,485,763	1,469,763
Depreciable capital assets, net	<u>94,731</u>	<u>86,990</u>
 Total assets	 <u>4,066,351</u>	 <u>3,821,754</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	7,932	-
Unearned revenue	<u>-</u>	<u>20,000</u>
 Total current liabilities	 <u>7,932</u>	 <u>20,000</u>
 <u>NET POSITION</u>		
Investment in capital assets	1,580,494	1,556,753
Unrestricted	<u>2,477,925</u>	<u>2,245,001</u>
 Total net position	 <u>\$ 4,058,419</u>	 <u>\$ 3,801,754</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, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
Operating revenues:		
Event revenues	\$ 69,540	\$ 78,910
Parking lot revenues	<u>385,732</u>	<u>363,533</u>
Total operating revenues	<u>455,272</u>	<u>442,443</u>
Operating expenses:		
Contracting services	75,000	90,000
Materials and supplies	146	102
Advertising	43,859	42,660
Auditing	14,000	14,800
Printing	7,086	199
Mailing	200	588
Rental fees	11,099	11,564
Grants	67,315	39,973
Parking lot expenses	186,407	188,055
Depreciation	8,089	7,958
Services and charges	<u>223,485</u>	<u>227,058</u>
Total operating expenses	<u>636,686</u>	<u>622,957</u>
Operating loss	<u>(181,414)</u>	<u>(180,514)</u>
Nonoperating revenues:		
Investment income	281,598	187,607
Contributions	107,481	130,385
State and other grants	<u>42,000</u>	<u>11,200</u>
Total nonoperating revenues	<u>431,079</u>	<u>329,192</u>
Income before capital contributions	<u>249,665</u>	<u>148,678</u>
Capital contributions from City of Tulsa	<u>7,000</u>	<u>-</u>
Change in net position	256,665	148,678
Net position, beginning of year	<u>3,801,754</u>	<u>3,653,076</u>
Net position, end of year	<u>\$ 4,058,419</u>	<u>\$ 3,801,754</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 484,601	\$ 408,931
Cash payments to suppliers	(632,665)	(616,311)
Net cash used by operating activities	<u>(148,064)</u>	<u>(207,380)</u>
Cash flows from noncapital financing activities:		
Operating grants	36,500	11,200
Contributions received	87,481	150,385
Net cash provided by noncapital financing activities	<u>123,981</u>	<u>161,585</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(31,830)	-
Payments from City of Tulsa	7,000	-
Net cash used by capital and related financing activities	<u>(24,830)</u>	<u>-</u>
Cash flows from investing activities:		
Investment income received	38,383	42,918
Investments purchased	(22,591)	(21,829)
Sale and maturity of investments	-	628,455
Net cash provided by investing activities	<u>15,792</u>	<u>649,544</u>
Net (decrease) increase in cash and cash equivalents	(33,121)	603,749
Cash and cash equivalents, beginning of year	<u>1,182,080</u>	<u>578,331</u>
Cash and cash equivalents, end of year	<u>\$ 1,148,959</u>	<u>\$ 1,182,080</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (181,414)	\$ (180,514)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	8,089	7,958
Decrease (increase) in accounts receivable	29,329	(33,512)
Increase in prepaid expenses	(12,000)	-
Increase (decrease) in accounts payable	7,932	(1,312)
Net cash used by operating activities	<u>\$ (148,064)</u>	<u>\$ (207,380)</u>
Noncash investing activities:		
Appreciation of fair value of investments	<u>\$ 242,306</u>	<u>\$ 150,588</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**  
**Years Ended June 30, 2014 and 2013**

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

**NATURE OF BUSINESS** – The Tulsa Performing Arts Center Trust (“TPACT”) is a public trust created under the provisions of the Oklahoma Trust Act. The beneficiary is the City of Tulsa (the “City”).

TPACT’s mission is 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.

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.

**REPORTING ENTITY** - TPACT is a component unit of the City and 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 have been 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.

The financial statements of TPACT are prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to 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.

**CASH AND CASH EQUIVALENTS** – Cash and cash equivalents balances, other than petty cash and non-pooled investments, are pooled with the City’s cash and investments and invested by the City’s Treasurer. Interest income on pooled cash and investments is allocated monthly based on the percentage of TPACT’s average daily equity in the pooled portfolio to the total average daily pooled portfolio balance.

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 cash held by the City’s internal pool, to be cash equivalents.

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

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

**INVESTMENTS** – TPACT follows the provisions of GASB Statement No. 31, “Certain Investments and External Investment Pools,” which requires governmental entities to report investments at fair value in the statement of net position. TPACT experienced a net increase in fair value of investments of \$247,735 and \$139,993 for the years ended June 30, 2014 and 2013, respectively. Realized gains and losses as well as changes in fair market value of investments are reported in investment income in the statement of revenues, expenses, and changes in net position.

**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 the amount due.

**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.

**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 net position is 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 is nontaxable under Section 115(1) of the Internal Revenue Code.

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

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

**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 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, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

2. **CASH DEPOSITS AND INVESTMENTS**

**POOLED CASH AND CASH EQUIVALENTS** – Cash deposits of TPACT are maintained within the City’s pooled cash and investments account. Pooled cash and equivalents consist primarily of time deposits and other securities guaranteed by the United States Government or its agencies. At June 30, 2014 and 2013, the pooled cash and equivalents amounted to \$1,148,959 and \$1,182,080, respectively. The amounts pooled with the City at June 30, 2014 and 2013 were represented by investments which were insured or registered or securities held by the City or its agent in the City’s name.

**NON-POOLED INVESTMENTS** – TPACT may invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, and equity index funds.

For the years ended June 30, TPACT had the following investments and maturities:

**2014:**

Type	Fair Value	Maturities in Years Less than 1
Equity index funds	\$ 1,300,353	\$ 1,300,353

**2013:**

Type	Fair Value	Maturities in Years Less than 1
Equity index funds	\$ 1,035,456	\$ 1,035,456

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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2. **CASH DEPOSITS AND INVESTMENTS, Continued**

**Interest Rate Risk** – 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 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.

Pooled investments – In accordance with the City’s investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less. No security, at the time of purchase, shall have a maturity exceeding five years. The weighted average maturity of the City’s pooled investment portfolio is 2.31 years.

Non-pooled investments – The equity index funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately and 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.

Pooled investments – The City’s investment policy prohibits purchasing any investments rated below AA at the time of purchase. As of June 30, 2014 and 2013, the U.S. agencies obligations included in the City’s pooled investment portfolio were rated Aaa and AA+ by Moody’s and Standard & Poor’s, respectively.

Non-pooled investments – TPACT does not have a formal policy to limit its credit risk on investments. TPACT’s equity index fund investments are not subject to credit risk.

**Custodial Credit Risk** – For an investment, 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.

Pooled deposits and investments – The City’s investment policy requires that demand deposits be collateralized at least by 110% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The securities cannot be released, substituted or sold without the City’s approval and release of the security. Certificates of deposit are, according to the City’s investment policy, to be collateralized at least by 102% of the amount that is not federally insured. As of June 30, 2014 and 2013, none of the deposits in the pooled portfolio were exposed to custodial credit risk. All safekeeping receipts for investment instruments are held in accounts in the City’s name and all securities are registered in the City’s name. Therefore, none of TPACT’s investments as of June 30, 2014 and 2013 were exposed to custodial credit risk.

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

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

Non-pooled investments – 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.

**Concentration of Credit Risk**

Pooled investments – At June 30, 2014, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 19%, 18%, 19%, and 18%, respectively, of its total pooled investment portfolio. At June 30, 2013, the City’s investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association constituted approximately 18%, 22%, 19%, and 22%, respectively, of its total pooled investment portfolio.

Non-pooled investments – TPACT places no limit on the amount that may be invested in any one issuer. At June 30, 2014 and 2013, TPACT’s investments in the equity index funds are not subject to concentration of credit risk disclosure.

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

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 33,863	\$ 47,674
Net increase in fair value of investments	<u>247,735</u>	<u>139,933</u>
	<u>\$ 281,598</u>	<u>\$ 187,607</u>



**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

3. **CAPITAL ASSETS**

The changes in capital assets are summarized as follows:

<b>2014:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Nondepreciable assets:</b>				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	74,767	16,000	-	90,767
Total nondepreciable capital assets	1,469,763	16,000	-	1,485,763
<b>Depreciable assets:</b>				
Equipment	-	15,830	-	15,830
Land improvements	228,920	-	-	228,920
Total capital assets being depreciated	228,920	15,830	-	244,750
<b>Accumulated depreciation:</b>				
Equipment	-	(132)	-	(132)
Land improvements	(141,930)	(7,957)	-	(149,887)
Total accumulated depreciation	(141,930)	(8,089)	-	(150,019)
Depreciable capital assets, net	86,990	7,741	-	94,731
<b>Capital assets, net</b>	<b>\$ 1,556,753</b>	<b>\$ 23,741</b>	<b>\$ -</b>	<b>\$ 1,580,494</b>
<b>2013:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Nondepreciable assets:</b>				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	74,767	-	-	74,767
Total nondepreciable capital assets	1,469,763	-	-	1,469,763
<b>Depreciable assets:</b>				
Land improvements	228,920	-	-	228,920
<b>Accumulated depreciation:</b>				
Land improvements	(133,972)	(7,958)	-	(141,930)
Depreciable capital assets, net	94,948	(7,958)	-	86,990
<b>Capital assets, net</b>	<b>\$ 1,564,711</b>	<b>\$ (7,958)</b>	<b>\$ -</b>	<b>\$ 1,556,753</b>

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

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**4. RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2014 and 2013, TPACT conducted the following transactions with related parties:

	<u>2014</u>	<u>2013</u>
Payments to City of Tulsa - General Fund for staff support	\$ 75,000	\$ 90,000
Payment to Tulsa Parking Authority for parking lot management	\$ 5,000	\$ 5,000
Payments to the City of Tulsa for rental fees at the Performing Arts Center	\$ 11,099	\$ 11,564

**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; natural disasters and accidents. TPACT carries commercial insurance which management believes to be adequate to cover material risk to which TPACT is exposed. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**6. CONTINGENT LIABILITIES**

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**  
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**NOTE TO OTHER SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2014**

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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 sub funds of the operations of TPACT. Brief explanations of these sub 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.

**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 expansion. 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 used for expansion.

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**COMBINING SCHEDULE OF NET POSITION**  
**June 30, 2014**

	<u>Operating Fund</u>	<u>Unrestricted Endowment Fund</u>	<u>Restricted Endowment Fund</u>	<u>Special Event Fund</u>	<u>Parking Lot Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
Current assets:						
Cash and cash equivalents	\$ 12,328	\$ 1,036,049	\$ 71,162	\$ 4,482	\$ 24,938	\$ 1,148,959
Investments	-	1,235,336	65,017	-	-	1,300,353
Interest receivable	(15)	2,551	-	10	62	2,608
Accounts receivable	-	-	-	-	16,437	16,437
Grants receivable	5,500	-	-	-	-	5,500
Prepaid expenses	12,000	-	-	-	-	12,000
Total current assets	29,813	2,273,936	136,179	4,492	41,437	2,485,857
Noncurrent assets:						
Nondepreciable capital assets	52,617	-	-	38,150	1,394,996	1,485,763
Depreciable capital assets, net	-	-	-	-	94,731	94,731
Total assets	82,430	2,273,936	136,179	42,642	1,531,164	4,066,351
<b><u>LIABILITIES</u></b>						
Current liabilities:						
Accounts payable	7,932	-	-	-	-	7,932
Total current liabilities	7,932	-	-	-	-	7,932
<b><u>NET POSITION</u></b>						
Investment in capital assets	52,617	-	-	38,150	1,489,727	1,580,494
Unrestricted	21,881	2,273,936	136,179	4,492	41,437	2,477,925
Total net position	\$ 74,498	\$ 2,273,936	\$ 136,179	\$ 42,642	\$ 1,531,164	\$ 4,058,419

**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, 2014**

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	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Operating revenues:						
Event revenues	\$ 69,540	\$ -	\$ -	\$ -	\$ -	\$ 69,540
Parking lot revenues	-	-	-	-	385,732	385,732
Total operating revenues	<u>69,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,732</u>	<u>455,272</u>
Operating expenses:						
Contracting services	75,000	-	-	-	-	75,000
Materials and supplies	146	-	-	-	-	146
Advertising	43,258	-	601	-	-	43,859
Auditing	14,000	-	-	-	-	14,000
Printing	7,086	-	-	-	-	7,086
Mailing	200	-	-	-	-	200
Rental fees	11,099	-	-	-	-	11,099
Grants	67,315	-	-	-	-	67,315
Parking lot expenses	-	-	-	-	186,407	186,407
Depreciation	-	-	-	-	8,089	8,089
Services and charges	217,976	-	5,509	-	-	223,485
Total operating expenses	<u>436,080</u>	<u>-</u>	<u>6,110</u>	<u>-</u>	<u>194,496</u>	<u>636,686</u>
Operating income (loss)	<u>(366,540)</u>	<u>-</u>	<u>(6,110)</u>	<u>-</u>	<u>191,236</u>	<u>(181,414)</u>
Nonoperating revenues:						
Investment income	438	267,447	13,246	61	406	281,598
Contributions	105,456	-	2,025	-	-	107,481
State and other grants	40,500	-	1,500	-	-	42,000
Total nonoperating revenues	<u>146,394</u>	<u>267,447</u>	<u>16,771</u>	<u>61</u>	<u>406</u>	<u>431,079</u>
Income (loss) before capital contributions and transfers	<u>(220,146)</u>	<u>267,447</u>	<u>10,661</u>	<u>61</u>	<u>191,642</u>	<u>249,665</u>
Capital contributions from City of Tulsa	7,000	-	-	-	-	7,000
Transfers in	246,941	213,105	2,360	-	-	462,406
Transfers out	(2,360)	(246,941)	-	-	(213,105)	(462,406)
Change in net position	<u>31,435</u>	<u>233,611</u>	<u>13,021</u>	<u>61</u>	<u>(21,463)</u>	<u>256,665</u>
Net position, beginning of year	<u>43,063</u>	<u>2,040,325</u>	<u>123,158</u>	<u>42,581</u>	<u>1,552,627</u>	<u>3,801,754</u>
Net position, end of year	<u>\$ 74,498</u>	<u>\$ 2,273,936</u>	<u>\$ 136,179</u>	<u>\$ 42,642</u>	<u>\$ 1,531,164</u>	<u>\$ 4,058,419</u>

**TULSA PERFORMING ARTS CENTER TRUST**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**Year Ended June 30, 2014**

	<b>Operating Fund</b>	<b>Unrestricted Endowment Fund</b>	<b>Restricted Endowment Fund</b>	<b>Special Event Fund</b>	<b>Parking Lot Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 69,540	\$ -	\$ -	\$ -	\$ 415,061	\$ 484,601
Cash payments to suppliers	(440,148)	-	(6,110)	-	(186,407)	(632,665)
Net cash provided (used) by operating activities	<u>(370,608)</u>	<u>-</u>	<u>(6,110)</u>	<u>-</u>	<u>228,654</u>	<u>(148,064)</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants	35,000	-	1,500	-	-	36,500
Contributions received	85,456	-	2,025	-	-	87,481
Transfers in	246,941	213,105	2,360	-	-	462,406
Transfers out	(2,360)	(246,941)	-	-	(213,105)	(462,406)
Net cash provided (used) by noncapital financing activities	<u>365,037</u>	<u>(33,836)</u>	<u>5,885</u>	<u>-</u>	<u>(213,105)</u>	<u>123,981</u>
<b>Cash flows from capital and related financing activities:</b>						
Purchase of capital assets	(16,000)	-	-	-	(15,830)	(31,830)
Payments from City of Tulsa	7,000	-	-	-	-	7,000
Net cash used by capital and related financing activities	<u>(9,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,830)</u>	<u>(24,830)</u>
<b>Cash flows from investing activities:</b>						
Investment income received	414	36,379	1,132	60	398	38,383
Investments purchased	-	(21,461)	(1,130)	-	-	(22,591)
Net cash provided by investing activities	<u>414</u>	<u>14,918</u>	<u>2</u>	<u>60</u>	<u>398</u>	<u>15,792</u>
Net increase (decrease) in cash and cash equivalents	(14,157)	(18,918)	(223)	60	117	(33,121)
Cash and cash equivalents, beginning of year	26,485	1,054,967	71,385	4,422	24,821	1,182,080
Cash and cash equivalents, end of year	<u>\$ 12,328</u>	<u>\$ 1,036,049</u>	<u>\$ 71,162</u>	<u>\$ 4,482</u>	<u>\$ 24,938</u>	<u>\$ 1,148,959</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (366,540)	\$ -	\$ (6,110)	\$ -	\$ 191,236	\$ (181,414)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	-	-	-	8,089	8,089
Decrease in accounts receivable	-	-	-	-	29,329	29,329
Increase in prepaid expenses	(12,000)	-	-	-	-	(12,000)
Increase in accounts payable	7,932	-	-	-	-	7,932
Net cash provided (used) by operating activities	<u>\$ (370,608)</u>	<u>\$ -</u>	<u>\$ (6,110)</u>	<u>\$ -</u>	<u>\$ 228,654</u>	<u>\$ (148,064)</u>
<b>Noncash investing activities:</b>						
Appreciation of fair value of investments	\$ -	\$ 230,192	\$ 12,114	\$ -	\$ -	\$ 242,306

