

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
FINANCIAL REPORT
June 30, 2017 and 2016

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
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June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 1, 2017

**TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2017 and 2016**

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, 2017 and 2016. 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 \$4,546,839. Of this amount, \$2,985,714 is unrestricted and may be used to meet TPACT’s ongoing obligations.
- Net position increased from \$4,317,337 at June 30, 2016 to \$4,546,839 at June 30, 2017. During 2017, TPACT generated an increase in net position of \$229,502 compared to an increase of \$232,905 in 2016.
- Cash and cash equivalents at June 30, 2017 were \$649,853, a \$109,136 increase from June 30, 2016.

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, 2017 and 2016

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 \$4,546,839 at June 30, 2017 from \$4,317,337 and \$4,084,432 at June 30, 2016 and 2015, respectively. The following table provides a summary of net position:

SUMMARY OF NET POSITION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets and other assets	\$ 3,008,257	\$ 2,793,174	\$ 2,535,769
Capital assets, net	1,561,125	1,561,415	1,570,955
Total assets	<u>4,569,382</u>	<u>4,354,589</u>	<u>4,106,724</u>
Total liabilities	<u>22,543</u>	<u>37,252</u>	<u>22,292</u>
Investment in capital assets	1,561,125	1,561,415	1,570,955
Unrestricted	<u>2,985,714</u>	<u>2,755,922</u>	<u>2,513,477</u>
Total net position	<u>\$ 4,546,839</u>	<u>\$ 4,317,337</u>	<u>\$ 4,084,432</u>

In 2017 total assets increased \$214,793, primarily due to an increase in cash and investments resulting from return on investments. Total liabilities decreased \$14,709 due to an increase of \$15,291 in accounts payable and a decrease in unearned revenue of \$30,000.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2017 and 2016

In 2016 total assets increased \$247,865 due to increased event revenues. The net decrease in capital assets of \$9,540 is attributable to depreciation. Total liabilities increased \$14,960 and is attributable to a combination of decreased accounts payable and an increase in unearned revenue.

SUMMARY OF CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 378,799	\$ 1,662,572	\$ 383,139
Nonoperating revenues	91,779	99,998	115,655
Investment income	<u>243,872</u>	<u>46,028</u>	<u>73,404</u>
Total revenues	<u>714,450</u>	<u>1,808,598</u>	<u>572,198</u>
Depreciation expense	9,540	9,540	9,539
Other operating expense	<u>475,408</u>	<u>1,566,153</u>	<u>536,646</u>
Total expenses	<u>484,948</u>	<u>1,575,693</u>	<u>546,185</u>
Change in net position	229,502	232,905	26,013
Net position, beginning of year	<u>4,317,337</u>	<u>4,084,432</u>	<u>4,058,419</u>
Net position, end of year	<u>\$ 4,546,839</u>	<u>\$ 4,317,337</u>	<u>\$ 4,084,432</u>

In 2017, TPACT's total revenues decreased \$1,094,148 or 60.5%. Operating revenues decreased \$1,283,773, primarily due to a decrease in performing arts event revenue resulting from a scaled back year for performances. Investment income increased \$197,844 or 429.8% primarily as a result of an increase in the fair value of the equity fund portfolio.

In 2016, TPACT's total revenues increased \$1,236,400 or 216.1%. Operating revenues increased \$1,279,433, due to an increase in performing arts event revenue due to the success of the performance of The Book of Mormon. Investment income decreased \$27,376 or 37.3%.

In 2017, total expenses decreased \$1,090,745, primarily due to a decrease in services charges paid to performing artists corresponding to the decrease in performances. Revenues exceeded expenses with an accompanying \$229,502 or 5.3% increase in net position.

In 2016, total expenses increased \$1,029,508, primarily due to an increase in expenses related to the performance of The Book of Mormon. Revenues exceeded expenses with an accompanying \$232,905, or 5.7% increase in net position.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
Years Ended June 30, 2017 and 2016

Capital Assets

TPACT's investment in capital assets as of June 30, 2017 amounts to \$1,561,124 (net of accumulated depreciation). At June 30, 2016 TPACT's investment in capital assets was \$1,561,415 (net of accumulated depreciation).

	CAPITAL ASSETS		
	2017	2016	2015
Land	\$ 1,394,996	\$ 1,394,996	\$ 1,394,996
Artwork	100,017	90,767	90,767
Equipment	15,830	15,830	15,830
Land improvements	228,920	228,920	228,920
	1,739,763	1,730,513	1,730,513
Less accumulated depreciation	(178,638)	(169,098)	(159,558)
Capital assets, net	<u>\$ 1,561,125</u>	<u>\$ 1,561,415</u>	<u>\$ 1,570,955</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, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 649,853	\$ 540,718
Investments	1,841,016	1,400,184
Interest receivable	6,231	5,950
Accounts receivable	9,209	13,956
Grants receivable	-	12,314
Prepaid expenses	-	5,500
	<hr/>	<hr/>
Total current assets	2,506,309	1,978,622
Noncurrent assets:		
Investments	501,948	814,552
Nondepreciable capital assets	1,495,013	1,485,763
Depreciable capital assets, net	66,112	75,652
	<hr/>	<hr/>
Total assets	<u>4,569,382</u>	<u>4,354,589</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	22,543	7,252
Unearned revenue	-	30,000
	<hr/>	<hr/>
Total current liabilities	<u>22,543</u>	<u>37,252</u>
 <u>NET POSITION</u>		
Investment in capital assets	1,561,125	1,561,415
Unrestricted	2,985,714	2,755,922
	<hr/>	<hr/>
Total net position	<u>\$ 4,546,839</u>	<u>\$ 4,317,337</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, 2017 and 2016

	2017	2016
Operating revenues:		
Event revenues	\$ 34,634	\$ 1,277,181
Parking revenues	344,165	385,391
	378,799	1,662,572
Operating expenses:		
Contracting services	75,000	75,000
Materials and supplies	460	675
Advertising	12,453	117,248
Auditing	14,400	14,000
Printing	684	1,013
Mailing	119	219
Rental fees	6,603	21,576
Grants	44,085	48,342
Parking lot expenses	202,476	207,347
Depreciation	9,540	9,540
Performers and artist services	87,575	863,871
Services and charges	31,553	216,862
	484,948	1,575,693
Operating (loss) income	(106,149)	86,879
Nonoperating revenues:		
Investment income	243,872	46,028
Contributions	91,779	87,684
State and other grants	-	12,314
	335,651	146,026
Total nonoperating revenues	335,651	146,026
Change in net position	229,502	232,905
Net position, beginning of year	4,317,337	4,084,432
Net position, end of year	\$ 4,546,839	\$ 4,317,337

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$ 383,546	\$ 1,658,757
Payments to suppliers for goods and services	(454,617)	(1,581,142)
Net cash (used) provided by operating activities	<u>(71,071)</u>	<u>77,615</u>
Cash flows from noncapital financing activities:		
Operating grants	12,314	5,000
Contributions received	51,294	117,684
Net cash provided by noncapital financing activities	<u>63,608</u>	<u>122,684</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(9,250)	-
Contributions received	10,485	-
Net cash provided by capital and related financing activities	<u>1,235</u>	<u>-</u>
Cash flows from investing activities:		
Investment income received	39,742	45,173
Investments purchased	(30,879)	(367,633)
Sale and maturity of investments	106,501	-
Net cash provided (used) by investing activities	<u>115,364</u>	<u>(322,460)</u>
Net increase (decrease) in cash and cash equivalents	109,136	(122,161)
Cash and cash equivalents, beginning of year	\$ 540,717	662,878
Cash and cash equivalents, end of year	<u>\$ 649,853</u>	<u>\$ 540,717</u>
Reconciliation of operating (loss) income to net cash (used) provided by operating activities:		
Operating (loss) income	\$ (106,149)	\$ 86,879
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:		
Depreciation	9,540	9,540
Decrease (increase) in accounts receivable	4,747	(3,265)
Decrease (increase) in prepaid expenses	5,500	(500)
Increase (decrease) in accounts payable	15,291	(15,039)
Net cash (used) provided by operating activities	<u>\$ (71,071)</u>	<u>\$ 77,615</u>
Noncash investing activities:		
Appreciation (depreciation) of fair value of investments	\$ 203,849	\$ (936)

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, 2017 and 2016

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 are held within the City’s pooled portfolio. TPACT’s cash and cash equivalents are recorded at the net asset value of their position in the City’s pooled portfolio.

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, 2017 and 2016

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. The Authority 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 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.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 is nontaxable under 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.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017 and 2016

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, 2017 and 2016 TPACT maintained balances of \$649,853 and \$540,718, respectively, in the City’s pooled portfolio which represented 0.08% and 0.07%, 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, 2017 and 2016.

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:

2017:

<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	\$ 1,541,541	\$ 1,541,541	\$ -	Level 1
U.S. Treasury securities	801,423	299,475	501,948	Level 1
	<u>\$ 2,342,964</u>	<u>\$ 1,841,016</u>	<u>\$ 501,948</u>	

2016:

<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	\$ 1,400,184	\$ 1,400,184	\$ -	Level 1
U.S. Treasury securities	814,552	-	814,552	Level 1
	<u>\$ 2,214,736</u>	<u>\$ 1,400,184</u>	<u>\$ 814,552</u>	

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 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.

Concentration of Credit Risk – TPACT places no limit on the amount that may be invested in any one issuer. At June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Interest and dividend income	\$ 47,274	\$ 45,046
Net increase in fair value of investments	<u>196,598</u>	<u>982</u>
	<u>\$ 243,872</u>	<u>\$ 46,028</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017 and 2016

3. **CAPITAL ASSETS**

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

2017:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable assets:				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	90,767	9,250	-	100,017
Total nondepreciable capital assets	<u>1,485,763</u>	<u>9,250</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	(3,298)	(1,583)	-	(4,881)
Land improvements	(165,800)	(7,957)	-	(173,757)
Total accumulated depreciation	<u>(169,098)</u>	<u>(9,540)</u>	<u>-</u>	<u>(178,638)</u>
Depreciable capital assets, net	<u>75,652</u>	<u>(9,540)</u>	<u>-</u>	<u>66,112</u>
Capital assets, net	<u>\$ 1,561,415</u>	<u>\$ (290)</u>	<u>\$ -</u>	<u>\$ 1,561,125</u>
2016:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable assets:				
Land	\$ 1,394,996	\$ -	\$ -	\$ 1,394,996
Artwork	90,767	-	-	90,767
Total nondepreciable capital assets	<u>1,485,763</u>	<u>-</u>	<u>-</u>	<u>1,485,763</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	(1,715)	(1,583)	-	(3,298)
Land improvements	(157,843)	(7,957)	-	(165,800)
Total accumulated depreciation	<u>(159,558)</u>	<u>(9,540)</u>	<u>-</u>	<u>(169,098)</u>
Depreciable capital assets, net	<u>85,192</u>	<u>(9,540)</u>	<u>-</u>	<u>75,652</u>
Capital assets, net	<u>\$ 1,570,955</u>	<u>\$ (9,540)</u>	<u>\$ -</u>	<u>\$ 1,561,415</u>

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017 and 2016

4. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2017 and 2016, TPACT had the following transactions with related parties:

	<u>2017</u>	<u>2016</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	\$ 26,603	\$ 41,256
Contributions for performances received from the City of Tulsa	\$ 12,650	\$ -

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.

7. SUBSEQUENT EVENTS

In September 2017, TPACT approved entering into a contract to sell land located adjacent to the Tulsa Performing Art Center, currently being used as a parking lot, for \$5,500,000. The parking lot generated operating income of \$132,175 and \$168,886 for the years ended June 30, 2017 and 2016, respectively, and has a book value approximately \$1,400,000. The sale is conditioned on certain buyer project feasibility including financing and applicable government approvals.

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
NOTE TO OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

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 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 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, 2017

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 176,604	\$ 411,985	\$ 31,313	\$ 5,197	\$ 24,754	\$ 649,853
Investments	-	1,748,964	92,052	-	-	1,841,016
Interest receivable	629	5,286	216	25	75	6,231
Accounts receivable	-	-	-	-	9,209	9,209
Total current assets	177,233	2,166,235	123,581	5,222	34,038	2,506,309
Noncurrent assets:						
Investments	-	476,851	25,097	-	-	501,948
Nondepreciable capital assets	52,617	-	-	47,400	1,394,996	1,495,013
Depreciable capital assets, net	-	-	-	-	66,112	66,112
Total assets	229,850	2,643,086	148,678	52,622	1,495,146	4,569,382
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	22,540	-	3	-	-	22,543
Total current liabilities	22,540	-	3	-	-	22,543
<u>NET POSITION</u>						
Investment in capital assets	52,617	-	-	47,400	1,461,108	1,561,125
Unrestricted	154,693	2,643,086	148,675	5,222	34,038	2,985,714
Total net position	\$ 207,310	\$ 2,643,086	\$ 148,675	\$ 52,622	\$ 1,495,146	\$ 4,546,839

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, 2017

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Operating revenues:						
Event revenues	\$ 34,634	\$ -	\$ -	\$ -	\$ -	\$ 34,634
Parking revenues	-	-	-	-	344,165	344,165
Total operating revenues	34,634	-	-	-	344,165	378,799
Operating expenses:						
Contracting services	75,000	-	-	-	-	75,000
Materials and supplies	460	-	-	-	-	460
Advertising	12,298	-	155	-	-	12,453
Auditing	14,400	-	-	-	-	14,400
Printing	56	-	-	628	-	684
Mailing	119	-	-	-	-	119
Rental fees	6,603	-	-	-	-	6,603
Grants	44,085	-	-	-	-	44,085
Parking lot expenses	-	-	-	-	202,476	202,476
Depreciation	-	-	-	-	9,540	9,540
Performers and artist services	82,675	-	4,900	-	-	87,575
Services and charges	30,392	-	1,161	-	-	31,553
Total operating expenses	266,088	-	6,216	628	212,016	484,948
Operating income (loss)	(231,454)	-	(6,216)	(628)	132,149	(106,149)
Nonoperating revenues:						
Investment income	541	231,110	12,182	13	26	243,872
Contributions	79,650	-	1,644	10,485	-	91,779
Total nonoperating revenues	80,191	231,110	13,826	10,498	26	335,651
Income (loss) before transfers	(151,263)	231,110	7,610	9,870	132,175	229,502
Transfers in	146,640	146,751	2,500	-	-	295,891
Transfers out	(2,500)	(146,640)	-	-	(146,751)	(295,891)
Change in net position	(7,123)	231,221	10,110	9,870	(14,576)	229,502
Net position, beginning of year	214,433	2,411,865	138,565	42,752	1,509,722	4,317,337
Net position, end of year	\$ 207,310	\$ 2,643,086	\$ 148,675	\$ 52,622	\$ 1,495,146	\$ 4,546,839

TULSA PERFORMING ARTS CENTER TRUST
(A Component Unit of the City of Tulsa, Oklahoma)
COMBINING SCHEDULE OF CASH FLOWS
Year Ended June 30, 2017

	Operating Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Special Event Fund	Parking Lot Fund	Total
Cash flows from operating activities:						
Receipts from customers	\$ 34,634	\$ -	\$ -	\$ -	\$ 348,912	\$ 383,546
Payments to suppliers	(245,252)	-	(6,261)	(628)	(202,476)	(454,617)
Net cash provided (used) by operating activities	(210,618)	-	(6,261)	(628)	146,436	(71,071)
Cash flows from noncapital financing activities:						
Operating grants	12,314	-	-	-	-	12,314
Contributions received	49,650	-	1,644	-	-	51,294
Transfers in	146,640	146,751	2,500	-	-	295,891
Transfers out	(2,500)	(146,640)	-	-	(146,751)	(295,891)
Net cash provided (used) by noncapital financing activities	206,104	111	4,144	-	(146,751)	63,608
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	-	-	(9,250)	-	(9,250)
Contributions received	-	-	-	10,485	-	10,485
Net cash provided by capital and related financing activities	-	-	-	1,235	-	1,235
Cash flows from investing activities:						
Investment income received	505	37,223	1,990	-	24	39,742
Investments purchased	-	(29,335)	(1,544)	-	-	(30,879)
Sale and maturity of investments	-	101,175	5,326	-	-	106,501
Net cash provided (used) by investing activities	505	109,063	5,772	-	24	115,364
Net increase (decrease) in cash and cash equivalents	(4,009)	109,174	3,655	607	(291)	109,136
Cash and cash equivalents, beginning of year	180,613	302,811	27,658	4,590	25,045	540,717
Cash and cash equivalents, end of year	\$ 176,604	\$ 411,985	\$ 31,313	\$ 5,197	\$ 24,754	\$ 649,853
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (231,454)	\$ -	\$ (6,216)	\$ (628)	\$ 132,149	\$ (106,149)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	-	-	-	9,540	9,540
Decrease in accounts receivable	-	-	-	-	4,747	4,747
Decrease in prepaid items	5,500	-	-	-	-	5,500
(Decrease) increase in accounts payable	15,336	-	(45)	-	-	15,291
Net cash provided (used) by operating activities	\$ (210,618)	\$ -	\$ (6,261)	\$ (628)	\$ 146,436	\$ (71,071)
Noncash investing activities:						
Appreciation of fair value of investments	\$ -	\$ 193,656	\$ 10,193	\$ -	\$ -	\$ 203,849

