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

FINANCIAL STATEMENTS

JUNE 30, 2020

WITH

INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Tulsa Performing Arts Center Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise TPACT's basic financial statements as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of TPACT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TPACT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TPACT's internal control over financial reporting and compliance.

Hogan Taylor LLP

Tulsa, Oklahoma
September 24, 2020

TULSA PERFORMING ARTS CENTER TRUST

STATEMENT OF NET POSITION

June 30, 2020

Assets	
Current assets:	
Cash and cash equivalents	$ 2,815,620
Investments	2,520,057
Accounts receivable	146,778
Grant receivable	14,000
Prepaid expenses and other assets	4,951
Total current assets	5,501,406
Noncurrent assets:	
Nondepreciable capital assets	100,017
Assets held for sale	1,442,070
Depreciable capital assets, net	67,430
Total assets	7,110,923
Liabilities and Net Position	
Current liabilities:	
Accounts payable and accrued expenses	200,737
Advance ticket sales and other unearned revenue	1,067,366
Paycheck protection program loan	407,070
Other liabilities	6,600
Total current liabilities	1,681,773
Net position:	
Investment in capital assets	1,609,517
Unrestricted	3,531,184
Restricted	288,449
Total net position	$ 5,429,150

See notes to financial statements.

TULSA PERFORMING ARTS CENTER TRUST

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2020

Operating revenues	
Performance and performance related	$ 1,748,219
Management fee	1,500,000
Presenting and producing	453,877
Community engagement	28,982
Marketing	18,717
Concessions	194,673
Parking income, net	140,082
Total operating revenues	4,084,550
Operating expenses	
Salaries and benefits	2,135,602
Utilities	628,626
Contracting services	612,845
Materials and supplies	140,322
General and administrative	457,367
Advertising	91,270
Other	65,634
Total operating expenses	4,131,666
Operating loss	(47,116)
Nonoperating revenues (expense)	
Contributions	170,008
Grant	14,000
Investment loss	(6,419)
Interest income	51,272
Start-up contribution to City of Tulsa, net	(27,017)
Total nonoperating revenues (expense)	201,844
Change in net position	154,728
Net position, beginning of year	5,274,422
Net position, end of year	$ 5,429,150

See notes to financial statements.

TULSA PERFORMING ARTS CENTER TRUST

STATEMENT OF CASH FLOWS

Year ended June 30, 2020

Cash Flows from Operating Activities	
Receipts from customers	$ 2,639,951
Management fee	1,500,000
Payments to suppliers and others	(1,899,694)
Payments for salaries, employee benefits and taxes	(2,015,908)
Net cash provided by operating activities	224,349
Cash Flows from Noncapital Financing Activities	
Contributions	156,008
Intergovernmental grants	14,000
Paycheck protection program loan	407,070
Start-up contribution to City of Tulsa	(27,017)
Net cash provided by noncapital financing activities	550,061
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(80,592)
Cash Flows from Investing Activities	
Investment income	44,853
Sales and maturities of investments	303,360
Purchases of investments	(310,015)
Net cash provided by investing activities	38,198
Net change in cash and cash equivalents	732,016
Cash and cash equivalents, beginning of year	2,083,604
Cash and cash equivalents, end of year	$ 2,815,620
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (47,116)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	22,724
Change in operating assets and liabilities:	
Accounts receivable	(114,966)
Prepaid expenses and other assets	(2,551)
Accounts payable and accrued expenses	195,891
Advance ticket sales and other deferred revenue	163,767
Other liabilities	6,600
Net cash used in operating activities	$ 224,349
Cash and cash equivalents	$ 2,815,620

See notes to financial statements.

Note 1 – Organization

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

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

To achieve its mission, TPACT performs the following activities:

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

<u>Financial statement presentation</u>

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to business type activities of governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

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

Cash and cash equivalents

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

Investments

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

Accounts receivable

Accounts receivable primarily consist of a management fee, facility rental receivable, and parking revenue. Management fee consists of contracted outstanding amount due from City of Tulsa for management services. Facility rental receivable consists of outstanding balances from presenters whom TPACT has not yet settled with. Parking revenue receivable consists of parking revenue due from the parking operator at year-end. TPACT management believes all amounts are fully collectible at fiscal year-end and has not reported an allowance for doubtful accounts.

Contributions receivable

Contributions receivables are expected to be collected within one year are recorded at net realizable value. Management determines the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. No allowance for uncollectible contributions receivable was deemed necessary at June 30, 2020.

Capital acquisitions and depreciation

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

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

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

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

Net position

Net position of TPACT represents the difference between assets and liabilities. 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.

Revenue recognition

Fees from ticketing sales are recognized when nonrefundable tickets are purchased. Facility rental is recognized when the space is utilized. Ticket sales for presenting and producing performances are recognized as performance and performance related revenue on a specific performance basis. Ticket sales for the receipt of payment for future performances for nonrelated presenters and producers are reported in unearned revenue as a liability in the statement of net position. Such amount was approximately $1.1 million in fiscal year 2020 and the portion related to services performed by TPACT will be recognized as revenue in the subsequent period with the remaining remitted to the presenter or producer, as applicable in future periods.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. At June 30, 2020, there were no unconditional promises to give.

Other auxiliary income consists of food and alcohol services commission, merchandise sales commission, reimbursement of special event costs, parking lot net revenue and other nonrecurring miscellaneous revenues.

Barter transactions

During fiscal year 2020, TPACT entered a barter transaction with a local hotel to trade hotel rooms to provide traveling artists for the rental without charge of our convention center space. Fair market value (FMV) is determined based upon the value of the goods or services received. If the FMV of goods or services received is not readily determinable, then the FMV of rental space is used as the basis for valuing the transaction. Barter transactions are recognized in the period in which they occur. For the year ended 2020, TPACT recorded barter transactions totaling $1,625.

Contributed services

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

Volunteers and other companies and organizations have donated amounts of their time and services in support of TPACT's operations. Only those amounts for which an objective basis is available to measure the value of such services and which meet certain criteria are reflected in the accompanying financial statements. Contributed goods and services, which include usher services in the amount of $18,294 for the year ended June 30, 2020, are recorded as contributions revenue and expense in the accompanying financial statements.

Concentration of credit risk

Financial instruments that potentially subject TPACT to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. As of October 2019, TPACT had insured all its deposits by placing all cash funds over $250,000 in Insured Cash Sweep (ICS) accounts which are secured 100% by the Federal Deposit Insurance Corporation (FDIC). Investments are managed by a third party within the guidelines established by the Board of Trustees which, as a matter of policy, limits the amounts which may be invested with one issuer. Management has deemed that all accounts receivable amounts are collectible for fiscal year 2020.

Fair value hierarchy

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

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

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of alternative investments, grants and accounts receivable, and the present value of contributions receivables. Management reviews the assumptions each year to determine the reasonableness of these estimates.

Tax status

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

There are no transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews all transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material tax liabilities that need to be recorded at June 30, 2020.

Recently issued accounting pronouncements

GASB has issued several statements which have not yet been implemented by TPACT.

GASB Statement No. 84 – *Fiduciary Activities,* issued January 2017, will be effective for reporting periods beginning after December 15, 2019, and will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities, and (2) clarifying whether and how business-type activities should report their fiduciary activities. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87 – *Leases,* issued June 2017, will be effective for reporting periods beginning after December 15, 2019. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*, establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance,* provides temporary relief to governments in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The above listed pronouncements that are postponed by one year: Statement No. 84, Statement No. 89 and Statement 93. Statement No. 87, *Leases*, is postponed by 18 months. Earlier application of the provisions in Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

Management has not determined the effect these statements will have on TPACT's financial statements.

Note 3 – COVID-19

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

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law providing certain economic aid packages for small businesses. TPACT qualifies as a small business under the CARES Act and was approved and received funding of approximately $407,000 under the Paycheck Protection Program. Under GASB Technical Bulletin No. 2020-1, this must be accounted for as a liability until the debt is legally forgiven. The amount is reported on the statement of net position as its own line item.

The full economic impact, duration and spread of the COVID-19 virus is uncertain at this time and difficult to predict considering the rapidly evolving economic landscape. Additionally, oil prices declined sharply to levels as low as approximately $19 per barrel because of multiple factors affecting levels of supply and demand in global oil and gas markets. Oil and natural gas prices are expected to continue to be volatile as a result of the near-term production increases and the ongoing COVID-19 outbreak. While TPACT is not directly impacted by the pricing volatility within the energy markets, many of its customers could be impacted. TPACT is currently unable to estimate the future impact of these economic events on its future financial position, results of operations, and cash flows. Therefore, TPACT can give no assurances that these economic events will not have a material adverse effect on its financial position or results of operations.

Note 4 – Investments

<u>Overall investment objective</u>

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

The following tables summarize TPACT's investments by major category in the fair value hierarchy as of June 30, 2020:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 303,360	$ 303,360	$ -	$ -
U.S. treasury bonds	500,000	500,000	-	-
Mutual funds and stocks:				
Traditional domestic index funds	908,140	908,140	-	-
Traditional international index funds	153,983	153,983	-	-
Small-cap index fund	274,373	274,373	-	-
Mid-cap index fund	380,201	380,201	-	-
Total investments	$ 2,520,057	$ 2,520,057	$ -	$ -

The following summarizes investment income (loss) components for the year ended June 30, 2020:

Interest and dividends	$ 4,032
Net unrealized losses in fair value of investments	(10,451)
Investment loss	$ (6,419)

Interest rate risk

Interest rate risk is the risk that a change in interest rates will adversely affect the value of an investment. As a means of limiting exposure to fair value losses arising from interest rate and other risks, TPACT's investment policy requires certain asset allocation targets, diversification of equity investments by market capitalization and global geography, limits bond investments to those rated BBB or better or in fixed income mutual funds.

Credit risk

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

Custodial credit risk

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

TPACT's investment in U.S. Treasury securities are registered securities held by its agent in TPACT's name. TPACT's investments in equity index funds are not categorized as to custodial credit risk because the investment is not evidenced by securities that exist in physical or book entry form.

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

Concentration of credit risk

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

Note 5 – Restricted Net Position

Restricted net position consist of assets with constraints imposed by external contributors. The restricted net position balances are as follows at June 30, 2020:

Purpose restricted:	
Fixed asset	$ 150,000
Community engagement	38,449
Total purpose restricted net assets	188,449
Endowment fund corpus income to be used for:	
Unrestricted	50,000
Community engagement	50,000
Total endowment fund corpus net assets	100,000
Total restricted net position	$ 288,449

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

Note 6 – Capital Assets

The changes in capital assets during the year ended June 30, 2020, are summarized as follows:

	June 30, 2019	Increases	Transfers	Decreases	June 30, 2020
Artwork	$ 100,017	$ -	$ -	$ -	$ 100,017
Total nondepreciable assets	100,017	-	-	-	100,017
Parking lot land	1,394,996	-	-	-	1,394,996
Parking lot land improvements	244,688	-	-	-	244,688
Total assets held for sale	1,639,684	-	-	-	1,639,684
Less accumulated depreciation on parking lot land improvements	(189,672)	(7,942)	-	-	(197,614)
Total assets held for sale, net	1,450,012	(7,942)	-	-	1,442,070
Theater equipment	10,000	75,537	-	-	85,537
IT equipment	-	5,055	-	-	5,055
Total depreciable assets	10,000	80,592	-	-	90,592
Less accumulated depreciation for equipment	(8,380)	(14,782)	-	-	(23,162)
Total depreciable capital assets, net	1,620	65,810	-	-	67,430
Total capital assets, net	$ 101,637	$ 65,810	$ -	$ -	$ 167,447

The parking lot land and improvements are considered assets held for sale and are expected to be sold in 2021. See Note 9 for further discussion.

Note 7 – Accounts Receivable

Accounts receivable consists of the following at June 30:

Management fee	$ 120,000
June ticket sales refunds	12,439
Facility rental	8,803
Sales tax receivable	3,439
Parking	2,057
Other	40
Less allowance for doubtful accounts	-
Accounts receivable, net	$ 146,778

Note 8 – Grant Receivable

A grant receivable of $14,000 was expected to be collected within one year of June 30, 2020.

Note 9 – Parking Lot

In 1994, TPACT purchased a square block of land, appraised at $1.6 million, with a combination of public and private funds to become a parking facility. This parking lot is to be used and operated as a public parking lot for the benefit of TPACT, patrons of the PAC, and members of the public. In 1995, TPACT contracted with the Tulsa Parking Authority to operate and maintain the parking lot, services including but not limited to daily operation, revenue collection, security, repair, billing and marketing. For services provided, TPACT remits to the Tulsa Parking Authority a management fee of $5,000 annually. In 2008, it was agreed that the north half of the parking lot shall be used for visitors and guests of Tulsa City Hall, except at such times events or performances are held at the PAC. For the year ended June 30, 2020, the parking lot generated $322,000 in revenue and incurred $182,000 in expenses for a net income of $140,000. During 2020, TPACT entered into discussions with a potential buyer for the sale of the parking lot. Execution of the contract is expected in fiscal year 2021.

Note 10 – Commitment and Contingencies

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

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

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

Note 11 – Retirement Plan

TPACT has adopted a retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code. The Plan provides that eligible employees, as defined by the Plan, who have attained the age of 21, and are not temporary employees, may voluntarily contribute to the Plan up to the maximum amount allowed by the Internal Revenue Service. TPACT matches 100% of an employee's contribution up to 6% of eligible employee compensation, resulting in retirement plan expenses of $81,000 for the year ended June 30, 2020.

Note 12 – Related Party Transactions

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

Revenue:	
Management fee received from City of Tulsa	$ 1,500,000
Expenses:	
Contracting services staff paid to City of Tulsa	$ 117,000
Parking lot expense paid to Tulsa Parking Authority	5,000
Utilities paid to City of Tulsa	24,557
	$ 146,557

Note 13 – Subsequent Events

On July 1, 2020, TPACT received $120,000 due from the City of Tulsa for fiscal year 2020 outstanding management fees.

TPACT has evaluated subsequent events through September 24, 2020, the date the financial statements were available to be issued.

OTHER REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Tulsa Performing Arts Center Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, which comprise the statement of net position as of June 30, 2020, and the related statement of revenues, expenses and changes in net position, and statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TPACT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TPACT's internal control. Accordingly, we do not express an opinion on the effectiveness of TPACT's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TPACT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hogan Taylor LLP

Tulsa, Oklahoma
September 24, 2020