



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

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2022 and 2021

WITH

INDEPENDENT AUDITOR'S REPORTS

CONTENTS

Independent Auditor's Report	1
Statements of Net Position.....	3
Statements of Revenues, Expenses and Changes in Net Position.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6
Supplemental Information:	
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards.....	17
Other Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs.....	23
Summary Schedule of Prior Audit Findings	25

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Tulsa Performing Arts Center Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business type activities of the Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise TPACT's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of TPACT as of June 30, 2022 and 2021, and its changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TPACT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TPACT's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TPACT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TPACT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022, 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.



Tulsa, Oklahoma
September 9, 2022

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF NET POSITION

June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,592,758	\$ 3,209,031
Investments	2,640,054	3,069,460
Accounts receivable	35,327	87,772
Grant receivable	17,945	-
Prepaid expenses and other assets	19,584	-
	7,305,668	6,366,263
Noncurrent assets:		
Nondepreciable capital assets	100,017	100,017
Assets held for sale	1,442,070	1,442,070
Depreciable capital assets, net	160,837	71,319
	9,008,592	7,979,669
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	232,567	175,110
Advance ticket sales and other unearned revenue	1,004,426	1,218,986
Current maturity of Paycheck Protection Program loan	-	21,303
Other liabilities	4,300	11,975
	1,241,293	1,427,374
Paycheck Protection Program loan, less current maturity	-	221,107
	1,241,293	1,648,481
Net position:		
Invested in capital assets	1,702,924	1,613,406
Unrestricted	5,822,661	4,374,400
Restricted	241,714	343,382
	\$ 7,767,299	\$ 6,331,188

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2022 and 2021

	2022	2021
Operating revenues		
Performance and performance related	\$ 1,660,054	\$ 108,792
Management fee	1,750,000	1,500,000
Presenting and producing	12,737	5,775
Community engagement	10,088	2,963
Marketing	9,211	1,050
Concessions	113,054	1,190
Parking income, net	151,724	33,432
	3,706,868	1,653,202
Operating expenses		
Salaries and benefits	2,302,653	1,227,347
Utilities	731,314	460,330
Contracting services	215,440	101,967
Materials and supplies	581,949	66,243
General and administrative	478,013	167,783
Advertising	46,155	12,206
Depreciation	48,381	33,863
Other	82,816	24,022
	4,486,721	2,093,761
Total operating expenses	4,486,721	2,093,761
Operating loss	(779,853)	(440,559)
Nonoperating revenues (expense)		
Contributions	276,515	261,386
Paycheck Protection Program loan forgiveness	242,410	407,070
Shuttered Venue Operators Grant (Note 3)	2,067,703	-
Government grants	51,091	111,086
Investment (loss) gain	(427,406)	547,403
Interest income	5,651	15,652
	2,215,964	1,342,597
Total nonoperating revenues	2,215,964	1,342,597
Change in net position	1,436,111	902,038
Net position, beginning of year	6,331,188	5,429,150
Net position, end of year	\$ 7,767,299	\$ 6,331,188

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Receipts from customers	\$ 1,939,628	\$ 397,691
Management fee	1,750,000	1,500,000
Payments to suppliers and others	(2,250,364)	(881,714)
Payments for salaries, employee benefits and taxes	(2,302,653)	(1,227,347)
	(863,389)	(211,370)
Cash Flows from Noncapital Financing Activities		
Contributions	276,515	261,386
Intergovernmental grants	33,146	125,085
Shuttered Venue Operators Grant	2,067,703	-
Paycheck protection program loan	-	242,410
	2,377,364	628,881
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(137,899)	(37,752)
Cash Flows from Investing Activities		
Investment income	5,651	15,652
Sales and maturities of investments	202,000	200,000
Purchases of investments	(200,000)	(202,000)
	7,651	13,652
Net cash provided by investing activities	7,651	13,652
Net change in cash and cash equivalents	1,383,727	393,411
Cash and cash equivalents, beginning of year	3,209,031	2,815,620
Cash and cash equivalents, end of year	\$ 4,592,758	\$ 3,209,031
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (779,853)	\$ (440,559)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	48,381	33,863
Change in operating assets and liabilities:		
Accounts receivable	52,445	45,006
Contributions and grants receivable	-	14,000
Prepaid expenses and other assets	(19,584)	4,951
Accounts payable and accrued expenses	57,457	(25,626)
Advance ticket sales and other unearned revenue	(214,560)	151,620
Other liabilities	(7,675)	5,375
	(863,389)	(211,370)
Net cash used in operating activities	\$ (863,389)	\$ (211,370)

TULSA PERFORMING ARTS CENTER TRUST

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 1 – Organization

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

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

To achieve its mission, TPACT performs the following activities:

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation

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

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

Cash and cash equivalents

TPACT considers all highly liquid investments purchased with original maturities of three months or less that are to be used for operating purposes to be cash equivalents. Cash equivalents may consist of certificates of deposit, 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 receivable 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, 2022 or 2021.

Capital acquisitions and depreciation

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

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

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

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

Net position

Net position of TPACT represents the difference between assets and liabilities. Invested in capital assets consist of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on the assets' use either through enabling legislation adopted by TPACT or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, TPACT first applies restricted resources. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of investment in capital assets or restricted.

Revenue recognition

Fees from ticketing sales are recognized when nonrefundable tickets are purchased. Facility rental is recognized when the space is utilized. Ticket sales for presenting and producing performances are recognized as performance and performance related revenue on a specific performance basis. Ticket sales for the receipt of payment for future performances for nonrelated presenters and producers are reported in unearned revenue as a liability in the statement of net position. Such amount was approximately \$1 million and \$1.2 million in fiscal year 2022 and 2021, respectively, and the portion related to services performed by TPACT will be recognized as revenue in the subsequent period with the remaining remitted to the presenter or producer, as applicable in future periods.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. At June 30, 2022 and 2021, there were no unconditional promises to give.

Other revenues listed consists of food and alcohol services commission, merchandise sales commission and reimbursement of special event costs; marketing revenues from marketing of nonrelated presenters and/or producers; and parking lot net revenue. These revenues are recognized as activity is performed.

Barter transactions

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. There were no barter transactions for the years ended June 30, 2022 and 2021.

Contributed services

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

Volunteers and other companies and organizations have donated amounts of their time and services in support of TPACT's operations. Only those amounts for which an objective basis is available to measure the value of such services and which meet certain criteria are reflected in the accompanying financial statements. Contributed goods and services, which include usher services in the amount \$25,280 for the year ended June 30, 2022, are recorded as contributions revenue and expense in the accompanying financial statements. There were no such contributed services for the year ended June 30, 2021.

Concentration of credit risk

Financial instruments that potentially subject TPACT to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. TPACT has insured all its deposits by placing all cash funds over \$250,000 in Insured Cash Sweep (ICS) accounts which are secured 100% by the Federal Deposit Insurance Corporation (FDIC). Investments are managed by a third party within the guidelines established by the Board of Trustees which, as a matter of policy, limits the amounts which may be invested with one issuer. Management has deemed that all accounts receivable amounts are collectible for fiscal year 2022.

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 either June 30, 2022 or 2021.

Note 3 – COVID-19

The 2020 global outbreak of COVID-19 has disrupted economic markets. During the fourth quarter of fiscal year 2020, TPACT closed the PAC due to regulations around social distancing and number of people allowed in an enclosed area. As such, TPACT did not generate any revenue from events for the fourth quarter fiscal year 2020. The majority of events in fiscal year 2021 and 2020 were postponed to future periods.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. In April 2020, TPACT received loan proceeds of \$407,070 from a bank, under the Paycheck Protection Program (PPP), which was established as part of the CARES Act. The note payable was scheduled to mature in April 2022, bore interest at 1%, and required monthly principal and interest payments commencing November 2020. Loan proceeds are forgivable, after a period of time, if TPACT expends those funds for qualified expenditures through September 2020. In November 2020, TPACT received formal forgiveness from the bank of the entire loan amount and immediately accounted for the PPP loan as a gain on extinguishment of debt in PPP loan forgiveness on the Statements of Revenues, Expenses, and Changes in Net Position.

In March 2021, TPACT received additional loan proceeds in the amount of \$242,410 under the PPP. The loan, which was in the form of a note with a bank, matures in March 2026, and bears interest at a rate of 1% per annum. In September 2021, TPACT received formal forgiveness from the bank of the entire loan amount and immediately accounted for the PPP loan as a gain on extinguishment of debt in PPP loan forgiveness on the Statements of Revenues, Expenses, and Changes in Net Position.

The Shuttered Venue Operators Grant (SVOG) program was established in Section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act) signed into law on December 27, 2020, as part of H.R. 133 Consolidated Appropriations Act, 2021 (Public Law No. 116-260). Section 324 of the Economic Aid Act was amended by Section 5005 of the American Rescue Plan Act (Public Law No. 117-2) signed into law on March 11, 2021. On July 20, 2021 TPACT was approved and received the first round of funding of approximately \$1.3 million under SVOG and on December 20, 2021 was approved and received the supplemental round of funding of approximately \$770 thousand under SVOG. The total \$2 million was recognized as revenue on the Statements of Revenues, Expenses, and Changes in Net Position as the grant funds were utilized meeting the grant requirements.

In March 2021, a vaccine was made available to eradicate COVID-19. Due to the uncertainty of vaccine use and future variants of COVID-19, TPACT is currently unable to estimate the future impact of these economic events on its future financial position, results of operations, and cash flows. Therefore, TPACT can give no assurances that these economic events will not have a material adverse effect on its financial position or results of operations.

Note 4 – Investments

Overall investment objective

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

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

2022	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 21,163	\$ 21,163	\$ -	\$ -
Mutual funds and stocks:				
Equity funds and pooled investments	1,521,040	1,521,040	-	-
Fixed income funds and pooled investments	638,591	638,591	-	-
Alternative strategies registered investment companies	290,063	290,063	-	-
Registered investment companies	169,197	169,197	-	-
Total investments	<u>\$ 2,640,054</u>	<u>\$ 2,640,054</u>	<u>\$ -</u>	<u>\$ -</u>
2021	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 202,000	\$ 202,000	\$ -	\$ -
Mutual funds and stocks:				
Equity funds and pooled investments	1,815,185	1,815,185	-	-
Fixed income funds and pooled investments	629,071	629,071	-	-
Alternative strategies registered investment companies	281,535	281,535	-	-
Registered investment companies	141,669	141,669	-	-
Total investments	<u>\$ 3,069,460</u>	<u>\$ 3,069,460</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2022	2021
Net realized gains	\$ -	\$ 86,730
Net unrealized gains (losses) in fair value of investments	(427,406)	460,673
Investment gain (loss)	<u>\$ (427,406)</u>	<u>\$ 547,403</u>

Interest rate risk

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

Credit risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. TPACT does not have a formal policy to limit its credit risk on investments. TPACT's equity index funds 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 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:

	2022	2021
Purpose restricted:		
Fixed asset	\$ -	\$ 150,000
Community engagement	141,714	93,382
Total purpose restricted net assets	141,714	243,382
Endowment fund corpus income to be used for:		
Unrestricted	50,000	50,000
Community engagement	50,000	50,000
Total endowment fund corpus net assets	100,000	100,000
Total restricted net position	\$ 241,714	\$ 343,382

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

Note 6 – Capital Assets

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

	June 30, 2021	Increases	Transfers	Decreases	June 30, 2022
Artwork	\$ 100,017	\$ -	\$ -	\$ -	\$ 100,017
Total nondepreciable assets	100,017	-	-	-	100,017
Parking lot land	1,394,996	-	-	-	1,394,996
Parking lot land improvements	244,688	-	-	-	244,688
Total assets held for sale	1,639,684	-	-	-	1,639,684
Less accumulated depreciation on parking lot land improvements	(197,614)	-	-	-	(197,614)
Total assets held for sale, net	1,442,070	-	-	-	1,442,070
Theater equipment	88,421	124,214	-	-	212,635
IT equipment	39,923	13,685	-	-	53,608
Total depreciable assets	128,344	137,899	-	-	266,243
Less accumulated depreciation for equipment	(57,025)	(48,381)	-	-	(105,406)
Total depreciable capital assets, net	71,319	89,518	-	-	160,837
Total capital assets, net	\$ 171,336	\$ 89,518	\$ -	\$ -	\$ 260,854

The parking lot land and improvements are considered assets held for sale and are expected to be sold in fiscal year 2023. See Note 9 for further discussion.

Note 7 – Accounts Receivable

Accounts receivable consists of the following at June 30:

	2022	2021
June ticket sales refunds	\$ 23,292	\$ 77,348
Facility rental	4,002	-
Parking	5,478	9,987
Other	2,555	437
Accounts receivable, net	\$ 35,327	\$ 87,772

Note 8 – Grant Receivable

In fiscal year 2022 a grant receivable of \$17,945 was recorded.

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. 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. In 2021, TPACT did not renew the contract for Tulsa Parking Authority to operate and maintain the parking lot. For the years ended June 30, 2022 and 2021, the parking lot generated approximately \$297,000 and \$114,000, respectively, in revenue and incurred approximately \$145,000 and \$81,000, respectively, in expenses. During 2022, TPACT entered into a contract with a potential buyer for the sale of the parking lot. Management expects closing of the contract in fiscal year 2023.

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 approximately \$93,000 and \$48,000, respectively, for the years ended June 30, 2022 and 2021.

Note 12 – Related Party Transactions

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

	<u>2022</u>	<u>2021</u>
Revenue:		
Management fee received from City of Tulsa	\$ 1,750,000	\$ 1,500,000
Expenses:		
Contracting services staff paid to City of Tulsa	\$ 123,065	\$ 119,782
Parking lot expense paid to Tulsa Parking Authority	-	5,000
Utilities paid to City of Tulsa	19,934	8,205
Stadium Improvement District Tax	5,834	-
	<u>\$ 148,833</u>	<u>\$ 132,987</u>

Note 13 – Subsequent Events

TPACT has evaluated subsequent events through September 9, 2022, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

TULSA PERFORMING ARTS CENTER TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

Federal Grantor/Passed Through Grantor/Program Title	Federal ALN (CFDA) Number	Agency or Pass-Through Number	Pass- Through to Subrecipients	Total Expenditures
<u>U.S. Small Business Administration</u>				
COVID-19 - Shuttered Venue Operators Grant Program	59.075		\$ -	\$ 2,067,703
			<u>\$ -</u>	<u>\$ 2,067,703</u>

TULSA PERFORMING ARTS CENTER TRUST

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Tulsa Performing Arts Center Trust under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of Tulsa Performing Arts Center Trust, it is not intended and does not represent the financial position, changes in net assets, functional expenses or cash flows of the Tulsa Performing Arts Center Trust.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Tulsa Performing Arts Center Trust has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

OTHER REPORTS

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

To the Board of Trustees
Tulsa Performing Arts Center Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2022.

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) as a basis for designing 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 TPACT'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 or significant deficiencies may exist that were not 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 TPACT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TPACT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Tulsa, Oklahoma
September 9, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Tulsa Performing Arts Center Trust

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tulsa Performing Arts Center Trust's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Tulsa Performing Arts Center Trust's major federal program for the period from July 1, 2021 to June 30, 2022. Tulsa Performing Arts Center Trust's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Tulsa Performing Arts Center Trust complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tulsa Performing Arts Center Trust and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Tulsa Performing Arts Center Trust's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Tulsa Performing Arts Center Trust's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tulsa Performing Arts Center Trust's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tulsa Performing Arts Center Trust's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Tulsa Performing Arts Center Trust, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Tulsa Performing Arts Center Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Tulsa Performing Arts Center Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will

not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on Tulsa Performing Arts Center Trust's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Tulsa Performing Arts Center Trust's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Tulsa, Oklahoma
September 9, 2022

TULSA PERFORMING ARTS CENTER TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

	Yes	No	None Reported
Internal control over financial reporting:			
Material weakness(es) identified?		X	
Significant deficiency(ies) identified?			X
Noncompliance material to financial statements noted?		X	

Federal Awards

	Yes	No	None Reported
Internal control over major programs:			
Material weakness(es) identified?		X	
Significant deficiency(ies) identified?	X		
Type of auditor's report issued on compliance for major programs:			Unmodified
	Yes	No	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?		X	

Identification of major programs:

ALN (CFDA) Number(s)	Name of Federal Program or Cluster
59.075	U.S. Small Business Administration COVID-19 - Shuttered Venue Operators Grant Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

	Yes	No
Auditee qualified as low-risk auditee?		X

TULSA PERFORMING ARTS CENTER TRUST

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended June 30, 2022

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

	Finding/Noncompliance	Questioned Costs
Finding:	<p>Item 2022-001 – Period of Performance: Lack of internal controls <i>Federal Program</i> – U.S. Small Business Administration Covid-19-Shuttered Venue Operators Grant Program <i>CFDA Number</i> – 59.075 <i>Significant deficiency</i></p>	\$ -
Criteria:	<p>Recipients that receive an initial SVOG award will be able to spend award funds over a 12-month period after the award issuance date for eligible and allowable costs incurred between March 1, 2020, and December 31, 2021. Recipients that receive a supplemental award will be able to spend all award funds (both initial and supplemental phase awards) received over an 18-month period after the initial phase award issuance date for eligible and allowable costs incurred between March 1, 2020, and June 30, 2022 (<i>Eligible Cost Period</i>).</p>	
Condition/context:	<p>It was identified that Tulsa Performing Arts Center lacked sufficient controls to ensure the items charged to the grant were accurately reported in the correct period in accordance with grant requirements.</p>	
Cause:	<p>Tulsa Performing Arts Center lacked sufficient controls for period of performance.</p>	
Effect:	<p>Charges could have occurred outside of the period of performance and charged to the grant.</p>	
Recommendation:	<p>Each charge to the grant should be reviewed by management to ensure the expenditure was incurred in the period of performance and such review must be documented.</p>	
View of responsible officials:	<p>Management's response is reported in "Management's Views and Corrective Action Plan" at the end of this report.</p>	

TULSA PERFORMING ARTS CENTER TRUST
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs for Federal Awards

None

Note: Expenditures of federal awards in prior year did not require a compliance audit under Uniform Grant Guidance.



Corrective Action Plan
For the Fiscal Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

Finding: 2022-001

Name of contact person: Jennifer Alden, CFO

Corrective Action: While proper review was performed, previous policy did not require the review to be documented. A signature and date line will be added to all schedules related to federal awards for management to document review.

Proposed Completion Date: Immediately