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

FINANCIAL STATEMENTS

JUNE 30, 2024 and 2023

WITH

INDEPENDENT AUDITOR'S REPORT

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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 Tulsa Performing Arts Center Trust (TPACT), a component unit of the City of Tulsa, as of and for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, and its changes in net 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. 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 for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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, 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 Supplementary 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.

Hogan Taylor LLP

Tulsa, Oklahoma
September 23, 2024

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF NET POSITION

June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 5,690,778	$ 5,415,556
Investments	3,339,277	2,945,828
Grants and accounts receivable	430,592	467,448
Prepaid expenses and other assets	466,225	403,353
Total current assets	9,926,872	9,232,185
Noncurrent assets:		
Nondepreciable capital assets	1,495,013	100,017
Assets held for sale	-	1,442,070
Depreciable capital assets, net	449,617	295,769
Subscription asset	198,102	336,682
Total assets	12,069,604	11,406,723
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	450,552	583,384
Advance ticket sales and other unearned revenue	801,240	853,097
Other liabilities	13,719	-
Current maturity of subscription liability	58,744	185,538
Total current liabilities	1,324,255	1,622,019
Subscription liability, less current maturity	139,574	187,744
Total liabilities	1,463,829	1,809,763
Net position:		
Invested in capital assets	1,944,630	1,837,856
Unrestricted	8,282,549	7,441,604
Restricted	378,596	317,500
Total net position	$ 10,605,775	$ 9,596,960

See notes to financial statements.

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2024 and 2023

	2024	2023
Operating revenues		
Performance and performance related	$ 2,571,303	$ 3,563,926
Management fee	2,500,000	2,000,000
Presenting and producing	793,814	120,264
Community engagement	156,247	58,939
Marketing	201,552	176,129
Concessions	237,285	365,807
Parking income, net	165,371	269,416
Memberships	87,133	42,416
Total operating revenues	6,712,705	6,596,897
Operating expenses		
Salaries and benefits	2,946,805	2,751,714
Production expense	1,583,625	1,014,864
Utilities	627,619	696,312
Contracting services	423,070	401,980
Building maintenance	1,027,477	303,549
Materials and supplies	116,582	151,897
General and administrative	251,431	253,422
Advertising	244,677	270,766
Development	218,159	204,675
Depreciation and amortization	270,081	226,680
Other	8,915	9,910
Total operating expenses	7,718,441	6,285,769
Operating income (loss)	(1,005,736)	311,128
Nonoperating revenues (expense)		
Contributions	411,810	356,345
In-kind donation	28,260	370,000
Parking lot escrow	195,500	-
American Rescue Plan Act grant	872,148	478,489
Other government grants	42,897	26,861
Investment gain	393,448	305,774
Interest income	81,836	36,409
Interest expense	(11,348)	(17,184)
Net nonoperating revenues	2,014,551	1,556,694
Change in net position	1,008,815	1,867,822
Net position, beginning of year	9,596,960	7,729,138
Net position, end of year	$ 10,605,775	$ 9,596,960

TULSA PERFORMING ARTS CENTER TRUST

STATEMENTS OF CASH FLOWS

Years ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Receipts from customers	$ 4,350,318	$ 4,210,988
Management fee	2,500,000	2,000,000
Payments to suppliers and others	(4,841,875)	(3,166,447)
Payments for salaries, employee benefits and taxes	(2,946,805)	(2,751,714)
Net cash provided by (used in) operating activities	(938,362)	292,827
Cash Flows from Noncapital Financing Activities		
Contributions	411,810	356,345
Intergovernmental grants	48,618	39,085
American Rescue Plan Act grant	872,148	478,489
Parking lot escrow	195,500	-
Net cash provided by noncapital financing activities	1,528,076	873,919
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(197,391)	(256,661)
Transfer of capital assets	766	70,330
Principal payments on subscription liability	(188,355)	(176,842)
Interest paid	(11,348)	(17,184)
Net cash used in capital and related financing activities	(396,328)	(380,357)
Cash Flows from Investing Activities		
Investment income	81,836	36,409
Net change in cash and cash equivalents	275,222	822,798
Cash and cash equivalents, beginning of year	5,415,556	4,592,758
Cash and cash equivalents, end of year	$ 5,690,778	$ 5,415,556
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	$ (1,005,736)	$ 311,128
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	270,081	226,680
Change in operating assets and liabilities:		
Grants and accounts receivable	31,135	(426,400)
Prepaid expenses and other assets	(62,872)	(13,769)
Accounts payable and accrued expenses	(132,832)	350,817
Advance ticket sales and other unearned revenue	(51,857)	(151,329)
Other liabilities	13,719	(4,300)
Net cash provided by (used in) operating activities	$ (938,362)	$ 292,827

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: facilitate and deliver performing arts experiences that inspire, empower, and entertain our community.

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 discreetly 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 local theater, orchestra, broadways, dance, concerts, opera, and a variety of performances by local, national, and international artists targeted at a diverse audience base.

Community engagement – TPACT conducts 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.

Development – In September 2022, TPACT began a membership program to generate revenue for its community engagement programs.

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 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 American Rescue Plan Act (ARPA) reimbursements, ticket sales receivable, concessions, and parking revenue. ARPA reimbursements are amounts expended by TPACT in June for ARPA projects not yet reimbursed by City of Tulsa. Ticket sales receivables are June ticket sales from credit cards not yet deposited in bank (daily lag). Concessions revenue receivable consists of revenue due from the concessions operator at year-end. 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.

Grants receivable

Grants 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. Grants receivable are written off when deemed uncollectible. No allowance for uncollectible contributions receivable was deemed necessary at June 30, 2024 or 2023.

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.

Computer equipment	3 to 5 years
Theatre equipment	3 to 15 years
Land improvements	5 to 30 years
Furniture and fixtures	5 to 7 years
Leasehold improvements	15 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.

Other assets

In July 2022, TPACT received a donation of costumes from the University of Tulsa Theater Department. TPACT intends to use these costumes for events we produce and to offer to our community partners for a minimal membership or rental fee. There are no donor-imposed restrictions. At June 30, 2023, TPACT recorded an estimated value of the costume donation from the University of Tulsa in the amount of $370,000 and are recorded in prepaid expenses and other assets and in-kind donation in the accompanying financial statements. During 2024, TPACT added an additional $28,000 for the costume collection.

Subscription asset and liability

TPACT recognizes a subscription asset and liability on the statement of net position for certain Subscription-Based Information Technology Arrangements (SBITA) with software vendors. The subscription liability is measured at the present value of total subscription payments expected to be made during the subscription term, while the subscription asset is measured at the amount of the initial measurement of the subscription liability, plus any payments made to the vendor at or before the commencement of the subscription term and certain direct costs. The subscription liability reductions and interest expense recognition are determined using the effective interest cost method. The subscription assets are amortized systematically and rationally over the shorter of the subscription term or the useful life of the underlying IT asset. Interest expense is presented in the non-operating expenses section of the statement of revenues, expenses, and changes in net position, while amortization costs are recognized as operating expenses.

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 $800,000 and $900,000 in fiscal year 2024 and 2023, 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, 2024 and 2023, there was approximately $54,000 and $6,000, respectively in contributions receivable.

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; membership dues; 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, 2024 and 2023.

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 and artist services in the amount of $5,400 and $9,800 for the years ended June 30, 2024 and 2023, respectively, 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. 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 2024.

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, 2024 or 2023.

Reclassifications

Certain amounts in 2023 financial statements were reclassified to conform to the 2024 presentation. There was no change to previously reported change in net position or net position.

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.

The ARPA program was established by the U.S. Department of the Treasury 2021, Section 5005 of the ARPA (Public Law No. 117-2) signed into law on March 11, 2021. Final Rule published on May 17, 2021, with amendments. This rule implements the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the ARPA. The effective date of the final rule was April 1, 2022. The City of Tulsa received $87,826,517 from the federal government in response to the COVID-19 public health emergency and its economic impacts through four categories of eligible use, one of which is for the provision of government services. The City determined that constructing needed building improvements to the Tulsa Performing Arts Center (PAC) owned by the City qualifies as an eligible use for the provision of government services to the community through the continued operation of the PAC. On March 22, 2023, the Tulsa Performing Arts Center Trust was approved by the City of Tulsa to receive $5.5 million of funding for reimbursement of deferred maintenance and construction of PAC projects from

ARPA funds. In 2022 fiscal year, TPACT expended $238,000 for ARPA related projects. During this time, a contract had not been signed for reimbursement from the City and therefore this was recorded as $157,000 in expense and $81,000 in fixed assets as part of the 2022 fiscal year financial statements. In 2023 fiscal year, TPACT expended $243,000 for ARPA related projects. During the 2023 fiscal year, TPACT was reimbursed $124,000 and $95,000 for fiscal year 2022 and fiscal year 2023 ARPA related projects, respectively. TPACT submitted for reimbursement for the remaining amounts owed for ARPA related project totaling $260,000 in June 2023.

In 2024 fiscal year, TPACT was approved by City of Tulsa to receive an additional $50,000 in ARPA funds for reimbursement of community engagement programing. In 2024 fiscal year, TPACT expended approximately $869,000 for ARPA related projects, and approximately $819,000 and $50,000 for deferred maintenance and community engagement programing, respectively. At June 30, 2024, approximately $237,000 and $41,000 were not yet reimbursed for deferred maintenance and community engagement programing, respectively.

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:

2024	Total	Level 1	Level 2	Level 3
Mutual funds and stocks:				
Equity funds and pooled investments	$ 2,068,174	$ 2,068,174	$ -	$ -
Fixed income funds and pooled investments	812,399	812,399	-	-
Alternative strategies registered investment companies	309,409	309,409	-	-
Registered investment companies	149,295	149,295	-	-
Total investments	$ 3,339,277	$ 3,339,277	$ -	$ -

2023	Total	Level 1	Level 2	Level 3
Mutual funds and stocks:				
Equity funds and pooled investments	$ 1,772,261	$ 1,772,261	$ -	$ -
Fixed income funds and pooled investments	726,483	726,483	-	-
Alternative strategies registered investment companies	294,138	294,138	-	-
Registered investment companies	152,946	152,946	-	-
Total investments	$ 2,945,828	$ 2,945,828	$ -	$ -

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

	2024	2023
Net realized gains	$ -	$ -
Net unrealized gains in fair value of investments	393,448	305,774
Investment gain	$ 393,448	$ 305,774

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:

	2024	2023
Purpose restricted:		
Community engagement	$ 278,596	$ 217,500
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	$ 378,596	$ 317,500

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 years ended June 30, are summarized as follows:

	June 30, 2023	Increases	Transfers	Decreases	June 30, 2024
Artwork	$ 100,017	$ -	$ -	$ -	$ 100,017
Parking lot land	-	-	1,394,996	-	1,394,996
Total nondepreciable assets	100,017	-	1,394,996	-	1,495,013
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)	-	-
Theater equipment	352,825	85,145	(237,851)	(88,422)	111,697
Parking lot improvements	-	-	244,688	(235,768)	8,920
IT equipment	89,406	35,172	-	(37,635)	86,943
Furniture and fixtures	-	39,624	130,363	-	169,987
Theater leasehold improvements	-	37,450	107,488	-	144,938
Total depreciable assets	442,231	197,391	244,688	(361,825)	522,485

	June 30, 2023	Increases	Transfers	Decreases	June 30, 2024
Less accumulated depreciation on parking lot land improvements	-	(31,965)	(208,827)	235,768	(5,024)
Less accumulated depreciation for equipment, furniture and fixtures	(146,462)	(57,886)	11,213	125,291	(67,844)
Less accumulated depreciation for depreciable assets	(146,462)	(89,851)	(197,614)	361,059	(72,868)
Total depreciable assets net	295,769	107,540	47,074	(766)	449,617
Total capital assets, net	$ 395,786	$ 107,540	$ 1,442,070	$ (766)	$ 1,944,630

	June 30, 2022	Increases	Transfers	Decreases	June 30, 2023
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	212,635	220,863	(80,673)	-	352,825
IT equipment	53,608	35,798	-	-	89,406
Total depreciable assets	266,243	256,661	(80,673)	-	442,231
Less accumulated depreciation for equipment	(105,406)	(51,399)	10,343	-	(146,462)
Total depreciable capital assets, net	160,837	205,262	(70,330)	-	295,769
Total capital assets, net	$ 260,854	$ 205,262	$ (70,330)	$ -	$ 395,786

As of August 2023, the parking lot land and improvements were no longer considered assets held for sale as the contract was unfulfilled by the contractor, as such, TPACT received $195,500 in escrow funds as designated by the contract. Escrow funds are recorded in nonoperating revenues in the statement of revenues, expenses, and changes in net position. See Note 8 for further discussion.

Note 7 – Grants and Accounts Receivable

Grants and accounts receivable consists of the following at June 30:

	2024	2023
ARPA reimbursement	$ 278,452	$ 259,676
June ticket sales	77,683	53,642
Contributions	54,013	5,721
Concessions	4,988	49,440
Parking	9,224	40,521
Merchandise	-	30,900
Intermission ad sales	5,347	25,239
Facility rental	885	1,860
Other	-	449
Grants and accounts receivable	$ 430,592	$ 467,448

Note 8 – 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, 2024 and 2023, the parking lot generated approximately $324,000 and $461,000, respectively, in revenue and incurred approximately $158,000 and $192,000, respectively, in expenses. During 2022, TPACT entered into a contract with a potential buyer for the sale of the parking lot, however the contract terms were not fulfilled and the sale agreement terminated in fiscal year 2024. At June 30, 2024, the parking lot is no longer classified as available for sale.

Note 9 – Subscription Assets and Liabilities

TPACT has four subscription arrangements subject to GASB 96 reporting. The subscriptions use a discount rate of 4%. The schedule of subscription assets, net of accumulated amortization, for the fiscal years are as follows:

	2024	2023
Subscription assets	$ 535,000	$ 646,250
Accumulated amortization	(336,898)	(309,568)
	$ 198,102	$ 336,682

During the years ended June 30, 2024 and 2023, new subscription agreements increased subscription assets and liability by $198,318 and $86,721, respectively. During the year ended June 30, 2024, an agreement was terminated resulting in a decrease of subscription assets and liability of approximately $157,000.

The schedule of future payments that are included in the measurement of the subscription liability, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter are as follows:

Year ending June 30,	Principal	Interest	Total Payment
2025	$ 58,744	$ 5,677	$ 64,421
2026	47,996	3,663	51,659
2027	29,337	2,490	31,827
2028	30,510	1,269	31,779
2029	31,731	-	31,731
	$ 198,318	$ 13,099	$ 211,417

GASB No. 96 Excluded subscriptions short-term

In accordance with GASB No. 96, TPACT does not recognize a subscription asset and a subscription liability for short-term subscriptions. Short-term subscriptions are certain subscriptions that, at the commencement of the subscription term, has a maximum possible term under the contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Note 10 – Long-Term Liabilities

The long-term liability balance and activity for the years ended June 30, 2024 and 2023, was as follows:

	June 30, 2023	Additions	Reductions	June 30, 2024	Amount due within one year
Subscription liability	$ 373,282	$ 198,318	$ (373,282)	$ 198,318	$ 58,744

	June 30, 2022	Additions	Reductions	June 30, 2023	Amount due within one year
Subscription liability	$ 463,403	$ 86,721	$ (176,842)	$ 373,282	$ 185,538

Note 11 – 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, results 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 12 – 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 $125,000 and $115,000, respectively, for the years ended June 30, 2024 and 2023.

Note 13 – Related Party Transactions

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

	2024	2023
Revenue:		
Management fee received from City of Tulsa	$ 2,500,000	$ 2,000,000
Expenses:		
Contracting services staff paid to City of Tulsa	$ -	$ 98,850
Utilities paid to City of Tulsa	21,172	34,105
Stadium Improvement District Tax	6,015	5,972
	$ 27,187	$ 138,927

Note 14 – Subsequent Events

TPACT has evaluated subsequent events through September 23, 2024, the date the financial statements were available to be issued.