TULSA PERFORMING ARTS CENTER

TPAC

ARTS. ELEVATED.

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

FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

WITH

INDEPENDENT AUDITOR'S REPORT

HoganTaylor

CONTENTS

Independent Auditor's Report 1

Management's Discussion and Analysis 3

Statements of Net Position 7

Statements of Revenues, Expenses and Changes in Net Position 8

Statements of Cash Flows 9

Notes to Financial Statements 10

HoganTaylor

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, 2025 and 2024, 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, 2025 and 2024, 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 audits 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hogan Taylor LLP

Tulsa, Oklahoma
September 24, 2025

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2025 and 2024

Management's discussion and analysis of Tulsa Performing Arts Center Trust's (TPACT) financial performance provides an overview of TPACT's financial activities for the fiscal years ended June 30, 2025 and 2024. The management's discussion and analysis should not be taken as a replacement for the financial statements but should be read in conjunction with them to enhance understanding of TPACT's financial performance.

Overview of the Financial Statements

TPACT presents its annual financial statements in accordance with the effective pronouncements issued by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing accounting principles generally accepted in the United States of America (GAAP) for state and local governments.

Required Financial Statements

The financial statements presented by the management of TPACT include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. The statements are prepared using the accrual basis of accounting. This method of accounting recognizes revenues at the time they are earned and expenses when the related liability is incurred.

The Statements of Net Position summarize the financial position of TPACT as of June 30. These statements are a snapshot of TPACT's current and other assets as well as capital assets, long-term and other liabilities. These statements also show any restriction on TPACT's net position. The Statements of Revenues, Expenses and Changes in Net Position summarize fiscal year revenues and expenses. The Statements of Cash Flows account for the net change in cash and cash equivalents resulting from operating activities, noncapital financing activities, capital and related financing activities and investment activities. These statements assist the user in determining the sources of cash coming into TPACT, the items for which cash was expended, and the beginning and ending cash balances.

Financial Highlights

- TPACT's performance and performance related revenue increased by 31% in 2025 and decreased by 27% in 2024.
- Total operating revenues increased by 13% in 2025 and increased by 2% in 2024.
- Current assets increased by 60% in 2025 and increased by 8% in 2024.
- Current liabilities increased by 307% in 2025 and decreased by 18% in 2024.
- Net position increased by 18% in 2025 and increased by 11% in 2024.

Condensed Statements of Net Position
June 30, 2025, 2024 and 2023

	2025	2024	2023
Current assets	$ 15,906,757	$ 9,926,872	$ 9,232,185
Noncurrent assets	2,180,898	2,142,732	2,174,538
Total assets	18,087,655	12,069,604	11,406,723
Current liabilities	5,396,174	1,324,255	1,622,019
Noncurrent liabilities	134,869	139,574	187,744
Total liabilities	5,531,043	1,463,829	1,809,763
Net position:			
Investment in capital assets	1,995,195	1,944,630	1,837,856
Unrestricted	10,151,564	8,282,549	7,441,604
Restricted	409,853	378,596	317,500
Total net position	$ 12,556,612	$ 10,605,775	$ 9,596,960

Current assets increased $5,979,885 from 2024 to 2025, an increase of 60%, primarily due to the timing of a $4 million payment to a presenter for Broadway season sales from our reserve escrow cash account in the subsequent fiscal year 2026, as well as increase from gains from investments of $400 thousand and sales tax receivable for season sales of $300 thousand. Current assets increased $694,687, an increase of 8% from 2023 to 2024, primarily due to an increase from gains from investments of $400 thousand.

Current liabilities increased $4,071,919 from 2024 to 2025, an increase of 307%, primarily due to the timing of a $4 million payment for Broadway season sales, similar to the change in current assets noted above. Current liabilities decreased $297,764 or 18% from 2023 to 2024 due to a decrease in subscription liability based on TPACT changing ticketing systems.

Condensed Statements of Revenues, Expenses and Changes In Net Position
Year ended June 30, 2025, 2024 and 2023

	2025	2024	2023
Performance and performance related	$ 4,166,300	$ 3,175,511	$ 4,375,278
Management fee	2,750,000	2,500,000	2,000,000
Presenting and producing	380,492	793,814	120,264
Community engagement and membership	318,410	243,380	101,355
Total operating revenues	7,615,202	6,712,705	6,596,897
Operating expenses:			
Salaries and benefits	3,078,105	2,946,805	2,751,714
Production expense	1,200,130	1,583,625	1,034,254
Building operations and maintenance	5,142,804	2,194,748	1,553,738
General, administrative, development and advertising	1,126,704	723,182	719,383
Depreciation and amortization	131,065	270,081	226,680
Total operating expenses	10,678,808	7,718,441	6,285,769
Operating income (loss)	(3,063,606)	(1,005,736)	311,128
Net nonoperating activities	5,014,443	2,014,551	1,556,694
Change in net position	1,950,837	1,008,815	1,867,822
Net position at beginning of year	10,605,775	9,596,960	7,729,138
Net position at end of year	$ 12,556,612	$ 10,605,775	$ 9,596,960

Operating revenues increased in 2025 by $902,497 or 13% primarily due to an increase in performance and performance related revenue of $990 thousand related to the increase in number of weeks of Broadway shows: ten shows in 2025 versus eight in 2024. The operating revenue increase is additionally attributable to the increase by contract of our management fee by $250 thousand, which was partially offset by the decrease in presenting shows from eight shows in 2024 versus three shows in 2025. In 2024, operating revenues increased by $115,808 or 2%, due to an increase in presenting and producing revenue of $670 thousand from an increase in presenting and producing shows from eight shows in 2024 versus five shows in 2023, as well as the receipt of an increase by contract of our management fee by $500 thousand, which was offset by the decrease in performance related revenue of $1.2 million related to the decrease in number of weeks of Broadway shows of eight shows versus thirteen in 2023.

Operating expenses increased by $2,960,367 or 38% from 2024 to 2025 primarily due to expenses related to deferred maintenance of $3.7 million related to American Rescue Plan Act (ARPA) planned projects, which were offset by decreases in production expense due to a decrease in presenting shows from eight shows in 2024 versus three shows in 2025. In 2024, operating expenses increased by $1,432,672 or 23% due to expenses related to deferred maintenance of $900 thousand related to ARPA planned projects coupled with increases in production expense due to the increase in presenting and producing shows from eight shows in 2024 versus five shows in 2023.

Nonoperating activities increased by $2,999,892, or 149%, from 2024 to 2025 primarily due to an additional $2,820,969 of ARPA funding. Nonoperating activities increased by $457,857, or 29%, from 2023 to 2024 primarily due to an additional $393,659 of ARPA funding and $195,500 revenue from parking lot escrow, offset by a decrease of approximately $342,000 of in-kind donations.

Economic Factors and Next Year's Budget

TPACT has prioritized our ten-year Facility Master Plan which includes renovation and expansion to our building. The $79.7 million, which passed overwhelmingly in 2024 in the City of Tulsa's Improve Our Tulsa three bond package, will be the first of three phases toward this goal. This first phase will completely overhaul our aging loading dock, HVAC upgrades, ADA upgrades, and renovation of Chapman Music Hall. This phase also includes construction of a temporary structure to house performances during the up to three years the above upgrades are taking place. The second phase with privately raised funds of an estimated $53 million will occur simultaneously with phase one and will expand the west side of the building to increase restrooms, add lobby space, add a restaurant and other patron amenities. Phases one and two are expected to begin January of 2028. The third phase will occur after completion of phases one and two and will include construction of a 1,400-seat theater, educational spaces, skybridge and garage parking on our current surface parking lot. This phase is estimated at $139 million and is expected to be funded through a public-private partnership.

The completion of our ten-year Facility Master Plan is paramount to the social and economic vitality of our region. This is a moment where TPACT's leadership and role as an Advocate, Catalyst and Partner is required. TPACT will direct its fiscal year 2026 work plan and budget to achieve the following results:

- Finalize capital campaign efforts to secure privately raised funds of $53 million as well as determine bridge financing for timing differences.
- Feasibility study completion of $150 thousand for the temporary structure to house performances during the phase 1 renovation.
- Conservation of reserve funds of $3.25 million to utilize for shortfall in operational revenue during the renovation.

Requests for Information

This financial report is designed to provide a general overview of TPACT's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Tulsa Performing Arts Center, 110 East 2nd Street, Tulsa, OK 74103.

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

STATEMENTS OF NET POSITION

June 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	$ 10,928,359	$ 5,690,778
Investments	3,753,648	3,339,277
Grants and accounts receivable	673,216	430,592
Prepaid expenses and other assets	551,534	466,225
Total current assets	15,906,757	9,926,872
Noncurrent assets:		
Nondepreciable capital assets	1,495,013	1,495,013
Depreciable capital assets, net	500,182	449,617
Subscription asset	185,703	198,102
Total assets	18,087,655	12,069,604
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	428,267	450,552
Advance ticket sales and other unearned revenue	4,905,865	801,240
Other liabilities	14,046	13,719
Current maturity of subscription liability	47,996	58,744
Total current liabilities	5,396,174	1,324,255
Subscription liability, less current maturity	134,869	139,574
Total liabilities	5,531,043	1,463,829
Net position:		
Invested in capital assets	1,995,195	1,944,630
Unrestricted	10,151,564	8,282,549
Restricted	409,853	378,596
Total net position	$ 12,556,612	$ 10,605,775

See notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2025 and 2024

	2025	2024
Operating revenues		
Performance and performance related	$ 3,252,028	$ 2,571,303
Management fee	2,750,000	2,500,000
Presenting and producing	380,492	793,814
Community engagement	194,792	156,247
Marketing	192,101	201,552
Concessions	467,113	237,285
Parking income, net	255,058	165,371
Memberships	123,618	87,133
Total operating revenues	7,615,202	6,712,705
Operating expenses		
Salaries and benefits	3,078,105	2,946,805
Production expense	1,200,130	1,583,625
Utilities	607,132	627,619
Contracting services	502,483	423,070
Building maintenance	3,869,056	1,027,477
Materials and supplies	164,133	116,582
General and administrative	431,158	251,431
Advertising	315,189	244,677
Development	366,123	218,159
Depreciation and amortization	131,065	270,081
Other	14,234	8,915
Total operating expenses	10,678,808	7,718,441
Operating loss	(3,063,606)	(1,005,736)
Nonoperating revenues (expense)		
Contributions	698,008	411,810
In-kind donation	567	28,260
Parking lot escrow	-	195,500
American Rescue Plan Act grant	3,693,117	872,148
Other government grants	53,522	42,897
Investment gain	414,371	393,448
Interest income	160,544	81,836
Interest expense	(5,686)	(11,348)
Net nonoperating revenues	5,014,443	2,014,551
Change in net position	1,950,837	1,008,815
Net position, beginning of year	10,605,775	9,596,960
Net position, end of year	$ 12,556,612	$ 10,605,775

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

STATEMENTS OF CASH FLOWS

Years ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Receipts from customers	$ 8,857,193	$ 4,350,318
Management fee	2,750,000	2,500,000
Payments to suppliers and others	(7,706,895)	(4,841,875)
Payments for salaries, employee benefits and taxes	(3,078,105)	(2,946,805)
Net cash provided by (used in) operating activities	822,193	(938,362)
Cash Flows from Noncapital Financing Activities		
Contributions	698,575	411,810
Intergovernmental grants	53,522	48,618
American Rescue Plan Act grant	3,693,117	872,148
Parking lot escrow	-	195,500
Net cash provided by noncapital financing activities	4,445,214	1,528,076
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(125,940)	(197,391)
Transfer of capital assets	-	766
Principal payments on subscription liability	(58,744)	(188,355)
Interest paid	(5,686)	(11,348)
Net cash used in capital and related financing activities	(190,370)	(396,328)
Cash Flows from Investing Activities		
Investment income	160,544	81,836
Net change in cash and cash equivalents	5,237,581	275,222
Cash and cash equivalents, beginning of year	5,690,778	5,415,556
Cash and cash equivalents, end of year	$ 10,928,359	$ 5,690,778
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (3,063,606)	$ (1,005,736)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	131,065	270,081
Change in operating assets and liabilities:		
Grants and accounts receivable	(242,624)	31,135
Prepaid expenses and other assets	(85,309)	(62,872)
Accounts payable and accrued expenses	(22,285)	(132,832)
Advance ticket sales and other unearned revenue	4,104,625	(51,857)
Other liabilities	327	13,719
Net cash provided by (used in) operating activities	$ 822,193	$ (938,362)

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. 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. Revenue resulting from nonexchange transactions, in which TPACT receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which TPACT must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to TPACT on a reimbursement basis. Operating revenues and expenses include exchange transactions. Investment income and 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 revenue, 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, 2025 or 2024.

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. TPACT recorded an estimated value of the costume donation in the amount of $370,000, which is included in prepaid expenses and other assets 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 nonoperating expenses section of the statement of revenues, expenses, and changes in net position, while amortization costs are recognized as operating expenses.

Advance ticket sales and other unearned revenue

Ticket sales for the receipt of payment for future performances for nonrelated presenters and producers are reported in advance ticket sales and other unearned revenue as a liability in the statements of net position. Such amount was approximately $4.9 million and $800,000 in fiscal year 2025 and 2024, respectively, and the portion related to services performed by TPACT will be recognized as revenue in the subsequent period with the remaining portion remitted to the presenter or producer, as applicable in future periods.

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.

Promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors and all applicable eligibility requirements, including time requirements, are met. 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.

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, 2025 and 2024.

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 $5,985 and $5,400 for the years ended June 30, 2025 and 2024, 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 2025.

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, 2025 or 2024.

Reclassifications

Certain amounts in the 2024 financial statements were reclassified to conform to the 2025 presentation. There was no change to previously reported change in net position or net position.

Recently issued accounting pronouncement:

GASB has issued a statement which has not yet been implemented by TPACT:

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, whose objective is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement clarifies the content for management's discussion and analysis, as well as provides guidance on the presentation of proprietary fund statements of revenue, expenses and changes in net position. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management is still evaluating the effect of the pronouncement to TPACT's financial statements.

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 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 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.

In 2025 fiscal year, TPACT was approved by Oklahoma Arts Council to receive approximately $171,000 for reimbursement of arts sector projects and $851 for private match funding. In 2025 fiscal year, TPACT expended approximately $3.6 million for ARPA related building maintenance projects and approximately $77,000 in arts sector projects. At June 30, 2025, approximately $100,000 and $15,000 were not yet reimbursed for deferred maintenance and arts sector projects, 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:

2025	Total	Level 1	Level 2	Level 3
Mutual funds and stocks:				
Equity funds and pooled investments	$ 2,253,855	$ 2,253,855	$ -	$ -
Fixed income funds and pooled investments	941,575	941,575	-	-
Alternative strategies registered investment companies	375,995	375,995	-	-
Registered investment companies	182,223	182,223	-	-
Total investments	$ 3,753,648	$ 3,753,648	$ -	$ -

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	$ -	$ -

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

	2025	2024
Net realized loss	$ (8,418)	$ (4,702)
Net unrealized gains in fair value of investments	422,789	398,150
Investment gain	$ 414,371	$ 393,448

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:

	2025	2024
Purpose restricted:		
Community engagement	$ 309,853	$ 278,596
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	$ 409,853	$ 378,596

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, 2024	Increases	Transfers	Decreases	June 30, 2025
Artwork	$ 100,017	$ -	$ -	$ -	$ 100,017
Parking lot land	1,394,996	-	-	-	1,394,996
Total nondepreciable assets	1,495,013	-	-	-	1,495,013
Theater equipment	111,697	45,393	-	-	157,090
Parking lot land improvements	8,920	-	-	-	8,920
IT equipment	86,943	42,131	-	-	129,074
Furniture and fixtures	169,987	38,416	-	-	208,403
Theater leasehold improvements	144,938	-	-	-	144,938
Total depreciable assets	522,485	125,940	-	-	648,425

	June 30, 2024	Increases	Transfers	Decreases	June 30, 2025
Less accumulated depreciation on parking lot land improvements	(5,024)	(357)	-	-	(5,381)
Less accumulated depreciation for equipment, furniture and fixtures	(67,844)	(75,018)	-	-	(142,862)
Less accumulated depreciation for depreciable assets	(72,868)	(75,375)	-	-	(148,243)
Total depreciable assets, net	449,617	50,565	-	-	500,182
Total capital assets, net	$ 1,944,630	$ 50,565	$ -	$ -	$ 1,995,195

	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 land 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
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

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 2024 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:

	2025	2024
Sales tax	$ 333,362	$ -
ARPA reimbursement	115,526	278,452
June ticket sales	2,920	77,683
Contributions	48,200	54,013
Concessions	71,296	4,988
Parking	42,293	9,224
Merchandise	38,796	-
Intermission ad sales	3,657	5,347
Facility rental	11,600	885
Other	5,566	-
Grants and accounts receivable	$ 673,216	$ 430,592

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, 2025 and 2024, the parking lot generated approximately $385,000 and $324,000, respectively, in revenue and incurred approximately $130,000 and $158,000, 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:

	2025	2024
Subscription assets	$ 241,393	$ 535,000
Accumulated amortization	(55,690)	(336,898)
	$ 185,703	$ 198,102

During the years ended June 30, 2024 and 2023, new subscription agreements increased subscription assets and liability by $43,291 and $198,318, 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
2026	$ 47,996	$ 3,663	$ 51,659
2027	44,337	3,622	47,959
2028	44,378	1,798	46,176
2029	46,154	-	46,154
	$ 182,865	$ 9,083	$ 191,948

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, 2025 and 2024, was as follows:

	June 30, 2024	Additions	Reductions	June 30, 2025	Amount due within one year
Subscription liability	$ 198,318	$ 43,291	$ (58,744)	$ 182,865	$ 47,996

	June 30, 2023	Additions	Reductions	June 30, 2024	Amount due within one year
Subscription liability	$ 373,282	$ 13,391	$ (188,355)	$ 198,318	$ 58,744

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 risks 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 $127,000 and $115,000, respectively, for the years ended June 30, 2025 and 2024.

Note 13 – Related Party Transactions

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

	2025	2024
Revenue:		
Contribution - Vision	$ 5,000	$ 10,000
Management fee received from City of Tulsa	2,750,000	2,500,000
	$ 2,755,000	$ 2,510,000
Expenses:		
Utilities paid to City of Tulsa	$ 21,664	$ 21,172
Stadium Improvement District Tax	6,097	6,015
	$ 27,761	$ 27,187

Note 14 – Subsequent Events

TPACT has evaluated subsequent events through September 24, 2025, the date the financial statements were available to be issued.

In July 2025, the PAC began a capital campaign to fund future renovations to the facility and add certain amenities. In July 2025, TPACT executed an agreement with a company for approximately $150,000 to investigate the viability of an off-site theater to be used during future construction of the PAC.