

PRICE TOWER ARTS CENTER, INC.
Consolidated Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2008
With Comparative Totals as of
December 31, 2007

PRICE TOWER ARTS CENTER, INC.

December 31, 2008

Table of Contents

	<u>Page</u>
Independent Auditor' s Report	
Financial Statements	
Consolidated Statement of Financial Position	1-2
Consolidated Statement of Activities	3-4
Consolidated Statement of Cash Flows	5-6
Consolidated Statement of Functional Expenses	7
Notes to the Financial Statements	8-18



ARCHAMBO & MUEGGENBORG, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Price Tower Arts Center, Inc.
Bartlesville, OK

We have audited the accompanying consolidated statement of financial position of *Price Tower Arts Center, Inc.* (a nonprofit organization) as of December 31, 2008, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of *Price Tower Arts Center, Inc.*'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of *Price Tower Arts Center, Inc.* as of December 31, 2008, and the consolidated changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Archambo & Mueggenborg, PC

Archambo & Mueggenborg, PC
Certified Public Accountants

May 19, 2009

PRICE TOWER ARTS CENTER, INC.
Consolidated Statement of Financial Position
December 31, 2008
With Comparative Totals as of December 31, 2007

<u>ASSETS</u>	<i>Price Tower Arts Center, Inc.</i>	<i>Inn at Price Tower, Inc.</i>	<u>2008 Total</u>	<u>2007 Total (Memo)</u>
Current Assets:				
Cash and cash equivalents (Note 1)	\$ 56,416	28,468	84,884	137,225
Investments (Note 1)	4,935	0	4,935	8,400
Inventory	101,085	8,330	109,415	115,517
Accounts receivable	415	21,653	22,068	20,439
Employee advances	30	0	30	94
Prepaid exhibit rentals	1,631	0	1,631	6,046
Prepaid insurance and other expenses	30,577	2,135	32,712	31,865
Total current assets	<u>195,089</u>	<u>60,586</u>	<u>255,675</u>	<u>319,586</u>
Other Assets:				
Pledges receivable (Note 4)	50,591	0	50,591	103,548
Property and equipment (Note 2) net of accumulated depreciation	2,302,632	63,364	2,365,996	2,447,490
Bartlesville Community Foundation Endowment (Note 11)	12,210	0	12,210	12,389
Deposits	3,848	185	4,033	1,100
Total other assets	<u>2,369,281</u>	<u>63,549</u>	<u>2,432,830</u>	<u>2,564,527</u>
TOTAL ASSETS	\$ <u>2,564,370</u>	<u>124,135</u>	<u>2,688,505</u>	<u>2,884,113</u>

The accompanying notes are an integral part of the financial statements.

PRICE TOWER ARTS CENTER, INC.
Consolidated Statement of Financial Position
December 31, 2008
With Comparative Totals as of December 31, 2007
(continued)

<u>LIABILITIES AND NET ASSETS</u>	<i>Price Tower Arts Center, Inc.</i>	<i>Inn at Price Tower, Inc.</i>	<u>2008 Total</u>	<u>2007 Total (Memo)</u>
Current Liabilities:				
Accounts payable	\$ 85,830	66,969	152,799	75,034
Accrued liabilities	17,626	31,282	48,908	41,855
Current portion of capital lease	0	0	0	2,254
Current portion of line of credit	0	12,515	12,515	0
Current portion of insurance note	6,729	0	6,729	0
Total current liabilities	<u>110,185</u>	<u>110,766</u>	<u>220,951</u>	<u>119,143</u>
Long-term Liabilities:				
Line of credit	0	126,985	126,985	0
TOTAL LIABILITIES	<u>110,185</u>	<u>237,751</u>	<u>347,936</u>	<u>119,143</u>
Net Assets:				
Unrestricted	2,416,662	(113,616)	2,303,046	2,744,584
Temporarily restricted (Note 3)	20,023	0	20,023	10,386
Permanently restricted (Note 1)	17,500	0	17,500	10,000
Total net assets	<u>2,454,185</u>	<u>(113,616)</u>	<u>2,340,569</u>	<u>2,764,970</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,564,370</u>	<u>124,135</u>	<u>2,688,505</u>	<u>2,884,113</u>

The accompanying notes are an integral part of the financial statements.

PRICE TOWER ARTS CENTER, INC.
Consolidated Statement of Activities
For the Year Ended December 31, 2008
With Comparative Totals as of December 31, 2007

<u>PRICE TOWER ARTS CENTER, INC.</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total (Memo)</u>
SUPPORT AND REVENUE:					
Support:					
Contributions	\$ 1,307,927	113,323	7,500	1,428,750	1,205,230
In-kind contributions	60,700	0	0	60,700	80,561
Grant support	5,800	12,000	0	17,800	27,350
Total support	<u>1,374,427</u>	<u>125,323</u>	<u>7,500</u>	<u>1,507,250</u>	<u>1,313,141</u>
Revenue:					
Membership dues	25,854	0	0	25,854	46,181
Museum store sales	88,454	0	0	88,454	83,157
Admissions and class fees	35,905	0	0	35,905	30,829
Rental income	111,690	0	0	111,690	99,243
Special events	34,186	0	0	34,186	42,280
Interest and dividends	2,816	0	0	2,816	4,345
Miscellaneous income	1,992	0	0	1,992	84
Total revenue	<u>300,897</u>	<u>0</u>	<u>0</u>	<u>300,897</u>	<u>306,119</u>
Net assets released from restrictions:					
Restricted purpose fulfilled	115,686	(115,686)	0	0	0
TOTAL SUPPORT AND REVENUE	<u>1,791,010</u>	<u>9,637</u>	<u>7,500</u>	<u>1,808,147</u>	<u>1,619,260</u>
EXPENSES:					
Administrative expenses	475,166	0	0	475,166	444,221
Fundraising and development	241,178	0	0	241,178	184,477
Exhibitions and public programming	795,258	0	0	795,258	690,714
Building and grounds	415,467	0	0	415,467	384,840
TOTAL EXPENSES	<u>1,927,069</u>	<u>0</u>	<u>0</u>	<u>1,927,069</u>	<u>1,704,252</u>
GAINS AND LOSSES:					
Net gain (loss) on sale of investments	(555)	0	0	(555)	9,933
Unrealized gain (loss) on investments	(5,120)	0	0	(5,120)	750
TOTAL GAINS AND LOSSES	<u>(5,675)</u>	<u>0</u>	<u>0</u>	<u>(5,675)</u>	<u>10,683</u>
NET REVENUE OVER (UNDER) EXPENSES AND LOSSES	<u>(141,734)</u>	<u>9,637</u>	<u>7,500</u>	<u>(124,597)</u>	<u>(74,309)</u>

The accompanying notes are an integral part of the financial statements.

PRICE TOWER ARTS CENTER, INC.
Consolidated Statement of Activities
For the Year Ended December 31, 2008
With Comparative Totals as of December 31, 2007
(continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total (Memo)</u>
<i>INN AT PRICE TOWER, INC.</i>					
Restaurant revenue	\$ 362,653	0	0	362,653	342,474
Hotel revenue	382,741	0	0	382,741	421,921
Expenses	<u>(1,027,407)</u>	<u>0</u>	<u>0</u>	<u>(1,027,407)</u>	<u>(816,400)</u>
NET REVENUE OVER (UNDER) EXPENSES	<u>(282,013)</u>	<u>0</u>	<u>0</u>	<u>(282,013)</u>	<u>(52,005)</u>
CHANGES IN NET ASSETS BEFORE OTHER ADJUSTMENTS	<u>(423,747)</u>	<u>9,637</u>	<u>7,500</u>	<u>(406,610)</u>	<u>(126,314)</u>
OTHER ADJUSTMENTS:					
Collection acquisitions (Note 9)	<u>(17,791)</u>	<u>0</u>	<u>0</u>	<u>(17,791)</u>	<u>(11,924)</u>
Total other adjustments	<u>(17,791)</u>	<u>0</u>	<u>0</u>	<u>(17,791)</u>	<u>(11,924)</u>
TOTAL CHANGE IN NET ASSETS	(441,538)	9,637	7,500	(424,401)	(138,238)
Net assets, beginning of the year	<u>2,744,584</u>	<u>10,386</u>	<u>10,000</u>	<u>2,764,970</u>	<u>2,903,208</u>
Net assets, end of the year	<u>\$ 2,303,046</u>	<u>20,023</u>	<u>17,500</u>	<u>2,340,569</u>	<u>2,764,970</u>

The accompanying notes are an integral part of the financial statements.

PRICE TOWER ARTS CENTER, INC.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2008
With Comparative Totals as of December 31, 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (424,401)	(138,238)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	193,953	223,908
Loss on disposition of assets	39,550	2,352
Realized (gain) loss on investments	555	(9,933)
Unrealized (gain) loss on investments	5,120	(750)
Investment income (loss)	(776)	9,696
Stock donations	(671,238)	(439,996)
(Increase) decrease in operating assets:		
Accounts receivable	(1,629)	(1,158)
Employee advances	64	30
Pledges receivable	52,957	(11,302)
Inventory	6,102	(10,469)
Prepaid exhibit rentals	4,415	10,179
Prepaid insurance and other expenses	(847)	837
Increase (decrease) in operating liabilities:		
Accounts payable	77,765	(20,975)
Accrued liabilities	7,053	19,605
Deferred income	0	(5,042)
Net cash provided (used) by operating activities	<u>(711,357)</u>	<u>(371,256)</u>
Cash Flows from Investing Activities:		
Purchase of furniture, equipment and building improvements	(152,009)	(26,446)
Purchase of stock	(2,500)	0
Sale of donated stock	672,483	439,788
Utility and other deposits	(2,933)	6,446
Net cash provided by investing activities	<u>515,041</u>	<u>419,788</u>

The accompanying notes are an integral part of the financial statements.

PRICE TOWER ARTS CENTER, INC.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2008
With Comparative Totals as of December 31, 2007
(continued)

	2008	2007
Cash Flows from Financing Activities:		
Proceeds from insurance note	\$ 17,943	0
Payments on capital lease	(2,254)	(3,421)
Proceeds from line of credit	139,500	0
Payments on insurance note	(11,214)	(11,150)
Net cash provided (used) by financing activities	143,975	(14,571)
Net increase (decrease) in cash	(52,341)	33,961
Cash, beginning of the year	137,225	103,264
Cash, end of the year	\$ 84,884	137,225
 Interest:		
Total interest costs incurred	\$ 5,125	991
Total interest costs capitalized	\$ 0	0
Total interest costs expensed	\$ 5,125	991

The accompanying notes are an integral part of the financial statements.

PRICE TOWER ARTS CENTER, INC.

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2008

With Comparative Totals as of December 31, 2007

	<i>Price Tower Arts Center, Inc.</i>					2007 Total (Memo)
	Administrative Expenses	Fundraising and Development	Exhibitions and Public Programming	Building and Grounds	Total	
Salaries	\$ 175,922	121,567	216,510	95,108	609,107	983,849
Employee benefits	29,608	1,082	14,014	11,776	56,480	78,443
Payroll taxes	21,925	2,670	16,677	7,465	48,737	91,554
Other taxes	331	0	0	0	331	331
Contract services	1,312	0	25,809	0	27,121	33,302
Advertising	790	1,664	71,976	0	74,430	137,229
Consulting and promotions	0	0	4,120	0	4,120	4,887
Programs and exhibits	0	0	91,891	0	91,891	91,891
Food and beverage expense	202	13,151	3,435	0	16,788	18,752
Utilities and telephone	61,554	7,386	78,789	98,486	246,215	35,540
Other expense	810	3,625	2,250	0	6,685	254,836
Insurance	8,142	1,532	9,770	8,285	27,729	52,473
Office supplies	9,869	0	5,543	37	15,449	55,139
Supplies and equipment	3,483	4,568	25,326	16,670	50,047	17,423
Printing and reproductions	5,520	19,459	27,029	0	52,008	113,899
Postage and delivery	9,777	4,590	6,654	0	21,021	63,852
Professional services	17,480	14,150	69,349	0	100,979	0
Rent	206	6,380	2,749	0	9,335	21,989
Conferences and travel	0	0	0	0	0	256,293
Dues and fees	9,468	1,349	3,874	10	14,701	9,335
Repair and maintenance	327	0	0	81,401	81,728	0
Security	5,824	796	7,430	9,056	23,106	81,728
Seminars and training	11,430	4,915	21,154	118	37,617	23,206
Special events	0	26,809	5,993	0	32,802	43,211
Cost of good sold	49,950	0	0	0	49,950	0
Damages and losses	5,524	0	26,405	13,917	45,846	169,943
Depreciation	45,712	5,485	58,511	73,138	182,846	1,044
Total	\$ 475,166	241,178	795,258	415,467	1,927,069	11,107
						1,027,407
						2,954,476

The accompanying notes are an integral part of the financial statements.

PRICE TOWER ARTS CENTER, INC.

Notes to the Consolidated Financial Statements

December 31, 2008

Note 1 - Summary of Significant Accounting Policies

A. Purpose:

Price Tower Arts Center, Inc. (the *Arts Center*) is incorporated under the laws of the State of Oklahoma and was established to provide the people of Bartlesville, greater Tulsa, the region and nation with an art museum dedicated to the display and study of art, architecture and design, and for the purpose of preserving and interpreting Frank Lloyd Wright's only built skyscraper, the Price Tower. The Price Tower was named a National Historic Landmark by the Department of the Interior in April 2007.

B. Basis of Accounting:

The financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recorded when the liability is incurred.

C. Financial Statements:

The financial statements include certain prior-year summarized comparative information in total but not by cost center. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the *Arts Center's* financial statements for the year ended December 31, 2007, from which the summarized information was derived.

D. Income Taxes:

Price Tower Arts Center, Inc. is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code of 1954 and is not a private foundation.

E. Promises to Give:

Contributions are recognized when the donor makes a promise to give to the *Arts Center* that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

PRICE TOWER ARTS CENTER, INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Contributed Services:

Contributed services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) increase or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the *Arts Center*. For the years ended December 31, 2008 and 2007, *Price Tower Arts Center, Inc.* received donations of free or reduced costs for goods, advertising and printing valued at \$60,700 and \$80,561, respectively. In addition, many individuals volunteer their time and perform a variety of tasks that assist the *Arts Center* with clerical services, membership drives and exhibits. Volunteers donated over 1,774 and 1,429 hours to the *Arts Center* for the years ended December 31, 2008 and 2007, respectively.

G. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Property and Equipment:

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the *Arts Center* reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The *Arts Center* reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

PRICE TOWER ARTS CENTER, INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

I. Cash and Cash Equivalents:

For purposes of the statement of cash flows, *Price Tower Arts Center, Inc.* considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At December 31, cash consisted of the following:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 1,365	1,865
Arvest Bank		
<i>PTAC</i> Interest-bearing money market account	2,843	2,803
<i>PTAC</i> Non-interest-bearing checking account	48,636	116,256
<i>PTAC</i> Interest-bearing savings account	4,572	3,540
Total Arvest Bank (Note 7)	<u>56,051</u>	<u>122,599</u>
Bank of Oklahoma		
<i>Inn at Price Tower</i> Payroll Account	1,207	0
<i>Inn at Price Tower</i> Operator checking account	25,067	9,906
<i>Inn at Price Tower</i> Imprest account	1,194	2,855
Total Bank of Oklahoma	<u>27,468</u>	<u>12,761</u>
Total cash	<u>\$ 84,884</u>	<u>137,225</u>

J. Principles of consolidation:

The consolidated financial statements include the accounts of *Price Tower Arts Center, Inc.* and its wholly owned subsidiary, *Inn at Price Tower, Inc. (the Inn)*. All material inter-organization transactions have been eliminated.

PRICE TOWER ARTS CENTER, INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

K. Investments:

Price Tower Arts Center, Inc.'s investments are held in managed agency accounts with Vanguard Group, Arvest Asset Management and Scudder Investments. As required by SFAS 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, marketable equity securities with readily determinable fair values are reported at their fair value. Investments at December 31, 2008 and 2007 are as follows:

	December 31, 2008			December 31, 2007		
	Mutual Funds	Stock	Total	Mutual Funds	Stock	Total
Market value	\$ 4,935	0	4,935	7,128	1,272	1,272
Cost	5,839	0	5,839	5,679	1,245	1,245
Unrealized appreciation (depreciation)	\$ (904)	0	(904)	1,449	27	27

PRICE TOWER ARTS CENTER, INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(continued)

Note 2 - Property and Equipment

	Assets		Accumulated Depreciation			Net Book Value
	Balance 1/1/08	Additions (Net of disposals)	Balance 12/31/08	Current		
				Balance 1/1/08	Provisions (Net of disposals)	
<u>Assets recorded at cost:</u>						
Vehicles	\$ 2,300	0	2,300	2,300	0	0
Equipment	234,915	4,635	239,550	184,378	20,275	34,897
Furniture and fixtures	134,361	(28,319)	106,042	71,224	(1,600)	36,418
Building and improvements	2,405,091	70,707	2,475,798	367,106	79,927	2,028,765
Hotel furniture, fixtures and equipment	768,395	32,711	801,106	472,564	62,626	265,916
Total, at cost	<u>\$ 3,545,062</u>	<u>79,734</u>	<u>3,624,796</u>	<u>1,097,572</u>	<u>161,228</u>	<u>2,365,996</u>

PRICE TOWER ARTS CENTER, INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(continued)

Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 and 2007, of \$20,023 and \$10,386, respectively, represent cash contributions and pledges that have been designated by the donor to be applied to future exhibits and other operations and proceeds from the sale of collections items that are restricted for future collection purchases.

Note 4 - Pledges Receivable

In 2001 *Price Tower Arts Center, Inc.* began a capital campaign to raise funds to acquire and maintain the Price Tower. Restrictions are considered to expire as funds received through the capital campaign are spent for purposes outlined in the capital campaign program. Pledges were received for periods up to five years, with pledges to be received prior to 2002 being discounted at 8% and pledges received for the years ended December 31, 2002 and after discounted at 5%. These were fully collected as of December 31, 2007. A pledge was also received in 2001, which is being discounted at 8% for a period of 30 years. For the year ended December 31, 2008 and 2007, the 30 year pledge is the only receivable that is being discounted. The unamortized discount on promises to give as of December 31, 2008 and 2007 is \$122,409 and \$124,645, respectively. Uncollectible promises are expected to be insignificant.

Pledges receivable are as follows:

	<u>2008</u>	<u>2007</u>
Receivables in one year or less	\$ 23,000	78,000
Receivables in two to thirty years	150,000	150,193
Less discounts to net present value	<u>(122,409)</u>	<u>(124,645)</u>
Pledges receivable at December 31	<u>\$ 50,591</u>	<u>103,548</u>

PRICE TOWER ARTS CENTER, INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(continued)

Note 5 - Compensation for Future Absences

The personnel policy states that any vacation time not taken or formally approved to be carried over by the Business/Personnel Manager or Executive Director will be forfeited. Vacation balances are computed annually as of January 1 each year. Vacation accrued to January 1 is to be used before December 31 of the current year. If special circumstances make this impossible, the Executive Director may extend the date. The accrual for future absences as of December 31, 2008 and 2007, respectively, is \$4,758 and \$5,476. The accrual is included in accrued liabilities in the statement of financial position.

Note 6 - Inventory

Price Tower Arts Center, Inc. has items available for sale in a museum store. Inventory is recorded at cost as of December 31, 2008 and 2007. The balance of \$109,415 and \$115,517 at December 31, 2008 and 2007, respectively, includes food and beverage inventory of \$8,330 and \$12,707 for *Inn at Price Tower, Inc.*

Note 7 - Concentrations of Credit Risk

The Organization maintains its cash balances at Arvest Bank in Bartlesville, Oklahoma and Bank of Oklahoma in Bartlesville, Oklahoma. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000 for 2008 and 2007, respectively, per institution. At December 31, 2008 and 2007, the *Art Center's* uninsured cash balances totaled \$0 and \$28,053, respectively.

Note 8 - Management of *Inn at Price Tower, Inc.*

Inn at Price Tower, Inc. is managed independently of the *Price Tower Arts Center, Inc.*, with *Price Tower Arts Center, Inc.* receiving rental income for use of the building. As of December 31, 2008 and 2007, no rent has been paid by *Inn at Price Tower, Inc.* for use of the building, and no rent has been accrued.

PRICE TOWER ARTS CENTER, INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(continued)

Note 9 - Permanent Collection Management Policy

Price Tower Arts Center Inc.'s permanent collection includes 13,000 pieces and is primarily concentrated in three areas: objects by Frank Lloyd Wright and his associates; material from architect and former Price Tower tenant Bruce Alonzo Goff (1904-1982); and important examples of late twentieth- and early-twenty-first-century American art, architecture, and design especially those by artist Dennis Oppenheim, architect Zaha Hadid, and designer Karim Rashid. This number includes significant amounts of ephemera and documentation of the H.C. Price Company, for which the tower was built. Collections are developed, managed and conserved for use in research, exhibitions and educational programs for public and academic audiences. Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted funds and as decreases in temporarily restricted net assets if purchased with donor-restricted funds. Contributions of collection items are not recognized as in-kind donations in the Statement of Activities. Proceeds from sales, deaccessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions. Proceeds from the sale of collection items are deposited in a restricted account designated for the purchase of collection items as prescribed by the American Association of Museums' Code of Ethics. The balance of the account at December 31, 2008 and 2007 respectively was \$2,843 and \$2,803.

Note 10 - Note Receivable - Inn at Price Tower, Inc.

In conjunction with the startup of *Inn at Price Tower, Inc.*, *Price Tower Arts Center, Inc.* loaned the *Inn* funds beginning in November 2002. The amount of the loan, plus interest, was \$839,682 and \$703,300 at December 31, 2008 and 2007, respectively. The loan is payable on demand at a variable interest rate equal to the Wall Street Journal Prime Rate. At no time shall the interest exceed the maximum rate of interest allowed by law. As of December 31, 2008 and 2007, the interest rate was 4.0 percent.

As of December 31, 2008 and 2007, the *Price Tower Arts Center, Inc.* has an accounts receivable from the *Inn at Price Tower, Inc.* of \$29,508 and \$2,308, respectively.

These amounts have been eliminated by consolidating entries at December 31, 2008 and 2007 and are not shown on the Statement of Financial Position.

PRICE TOWER ARTS CENTER, INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(continued)

Note 11 - Bartlesville Community Foundation Endowment

Price Tower Arts Center, Inc. raised \$10,000 towards an endowment which is deposited with the Bartlesville Community Foundation. In 2005, the Foundation contributed \$3,000 to the fund on behalf of the *Arts Center*. The principal of the endowment is intended to be preserved in perpetuity. Income of five percent of the market value of the fund shall be paid to the *Arts Center* at least annually and may be reinvested. In 2008 *Price Tower Arts Center, Inc.* contributed an additional \$2,500 to the endowment.

Under SFAS 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the portion of the fund contributed by the Bartlesville Community Foundation is an asset of the Foundation and is not reflected as an asset of the *Arts Center*.

The total fair market value of the *Arts Center*'s endowment fund account at the Bartlesville Community Foundation as of December 31, 2008 and 2007 is \$32,385.13 and \$16,110.76, respectively.

Note 12 - Capital Leases

In August 2005, *Price Tower Arts Center, Inc.* entered into a capital lease with Great America Copier for the purchase of a Toshiba copier. The copier is included in the *Arts Center* fixed assets appropriately and is being depreciated. The lease is over 36 months with a buy-out option at the end of the lease agreement. This capital lease was paid in full in 2008.

In August 2006, *Price Tower Arts Center, Inc.* entered into a capital lease with Hewlett-Packard Financial Services, which was later sold to Banc of America for the purchase of an HP printer. The printer is included in the *Arts Center* fixed assets appropriately and is being depreciated. The lease period is 24 months with a buy-out option at the end of the lease agreement. This capital lease was paid in full in 2008.

Note 13 - Insurance Note

In August 2006, *Price Tower Arts Center, Inc.* entered into a note with Premium Financing Specialists for the payment of property insurance. The note is payable in nine monthly payments of \$2,840.01, with an interest rate of 9%. The principal balance of \$11,150 is considered current and reflected in the statement of financial position. As of December 31, 2007 this note has been paid in full.

PRICE TOWER ARTS CENTER, INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(continued)

Note 13 - Insurance Note (continued)

In August 2008, *Price Tower Arts Center, Inc.* entered into a note with Premium Financing Specialists for the payment of property insurance. The note is payable in eight monthly payments of \$2,300.04, with an interest rate of 6.75%. The principal balance at December 31, 2008 of \$6,729 is considered current and reflected as a current liability in the statement of financial position.

Note 14 - Concentration Risk

Price Tower Arts Center, Inc. receives a substantial amount of support from one individual and one foundation. This support represents 76% of total contributions for the year ended December 31, 2008, and 75% for the year ended December 31, 2007. Should this funding source no longer contribute to the *Arts Center*, an alternate means of support would need to be found for the *Arts Center* to continue operations.

Note 15 - Line of Credit

On March 14, 2008 the *Inn at Price Tower, Inc.* entered into a line of credit agreement with Bank of Oklahoma. The line of credit was for up to \$180,000, with the *Inn at Price Tower, Inc.* borrowing \$139,500 in 2008 for the purpose of renovation and capital expenditures. During the advancing period, the note will be based on the 12 month LIBOR index plus 300bps. As of March 14, 2008 the effective rate was 5.5%. During 2008 interest only was paid. After the advancing period had expired, March 14, 2009, the rate of interest will be adjusted to BOK Prime, the 30 day Libor plus 300, or a fixed rate of the customer's choice. The line of credit will be amortized over seven years. The principal payments for the next five years are as follows:

2009	\$ 12,515
2010	17,508
2011	18,496
2012	19,539
2013	20,641
Thereafter	50,801

PRICE TOWER ARTS CENTER, INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(continued)

Note 16 - Inn at Price Tower, Inc. - Going Concern

The *Inn at Price Tower, Inc.* is a wholly-owned subsidiary of *Price Tower Arts Center, Inc.* The *Inn* has recurring losses from operations and is reliant upon the *Arts Center* to maintain operations. If the *Arts Center* decides to no longer support the *Inn*, this could severely limit the *Inn's* ability to continue as a going concern. During the current year, the *Inn* has struggled to meet its working capital needs and has entered into a line of credit with the Bank of Oklahoma for the purpose of making renovations. Management of the *Price Tower Arts Center, Inc.* feels that the new management company for the *Inn at Price Tower, Inc.* has only been in place for the current year and their performance cannot be evaluated at this time. *Price Tower Arts Center, Inc.* will re-evaluate the amount of financial support after the 2009 results are determined.