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Date: October 27, 2025

To: Mayor Rhodes-Conway and Common Council Members

From: David Schmiedicke
Finance Director

Subject: Overture Center Foundation, Inc. 2024-2025 Financial Statements and the Annual Performance Contract with the City of Madison

Under the 2025 Annual Performance Contract between the Overture Center Foundation, Inc. (OCF) and the City of Madison, there are a series of performance terms that OCF agrees to abide by and provide documentation about to the City. One of the terms is that OCF will operate the Overture Center in a financially sound manner to be measured as described below. In the event that these financial standards are not met, OCF must provide a plan to remedy the issue.

1. Annual audited financial statements, prepared in accordance with generally accepted accounting principles (GAAP), shall contain an unqualified opinion as to going concern status. These financial statements shall contain the following:
   - Positive unrestricted net assets when adjusted for the amount invested in capital assets (also called expendable net assets, i.e., excluding the assets and liabilities associated with capital assets).
   - Shall not indicate a carry-forward operating deficit that is greater than 5 percent of expendable net assets, or 5 percent of the current year's budget, whichever is larger.
2. OCF will work to create a capital reserve fund in the amount of $5 million on or before June 30, 2026.

OCF's auditor has rendered an opinion that its 2025 financial statements are fairly presented. Based on a review of the OCF financial statements for the fiscal year ending June 30, 2025, the actual performance relative to the standards established in the annual performance contract was as follows:

<u>Unrestricted net assets</u> = Overture reports $17,030,641 of unrestricted net assets.

<u>Carry-forward operating surplus</u> = $14,860,641 (no more than a 5% deficit of 2024 expenses – meets standard). The surplus consists of unrestricted net assets less $2,170,000, set-aside as a board designated reserve for capital expenses consistent with the capital reserve requirement in the annual performance contract. The Overture Center Foundation had a deficit from operations of $4,257,929 ($3,003,368 deficit in 2024), a surplus from fundraising of $1,423,154 ($1,428,783 surplus in 2024), and a surplus from other income and expenses of $1,235,578 ($1,348,164 surplus in 2024), which includes the City's support grant of $2,190,000 (one half of the 2024 grant and one half of the 2025 grant). Overall, OCF had a negative change in net assets of $1,599,197.

OCF also had $10,164,275, in cash and cash equivalents on June 30, 2025, a $417,335, decrease from June 30, 2024. This decrease included positive net cash flows of $3,467,107, from operating activities, a decrease of $6,620,818, from investing activities and positive net cash flow of $2,736,376, from financing activities.

<u>Capital Reserve Fund</u>: The OCF has used its best efforts to meet its obligations for a capital reserve fund, including designating $2.2 million in net assets in a "Board Designated Reserve" to meet the intent of the Structural Agreement. The OCF will continue to make efforts toward the 2025 capital reserve fund goal of $5 million. In addition, since January 1, 2012, OCF has expended $16,385,208, for improvements for the Overture Center.

Please feel free to contact me with questions.