



Finance Department

David P. Schmiedicke, Finance Director

City-County Building, Room 406
210 Martin Luther King, Jr. Boulevard
Madison, Wisconsin 53703
Phone (608) 266-4671
Fax (608) 267-8705
finance@cityofmadison.com
www.cityofmadison.com/finance

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To: Mayor Soglin and Common Council Members

From: David Schmiedicke
Finance Director

Subject: Overture Center Foundation, Inc. 2015-16 Financial Statements and the Annual Performance Contract with the City of Madison

Under the 2016 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 act to create a capital reserve fund in the amount of \$5 million on or before June 30, 2017. The OCF has used its best efforts to meet its obligations for a capital reserve fund, including designating \$1.5 million in net assets in a "Board Designated Reserve" as its initial installment that could be used to meet the intent of the Structural Agreement. The OCF will continue to make efforts toward the 2017 capital reserve fund goal through a possible capital campaign and other efforts. In addition, since January 1, 2012, OCF has expended \$1,692,475 for improvements for the Overture Center.

OCF's auditor has rendered an opinion that its 2016 financial statements are fairly presented. Based on a review of the OCF financial statements for the fiscal year ending June 30, 2016, the actual performance relative to the standards established in the annual performance contract was as follows:

Unrestricted net assets = \$2,310,673 (meets standard)

Carry-forward operating surplus = \$810,673 (no more than a 2% deficit of 2016 expenses – meets standard). The surplus consists of unrestricted net assets less \$1,500,000 set-aside as a board designated reserve for capital expenses consistent with the capital reserve requirement in the annual performance contract.

OCF also had \$7,733,069 in cash and cash equivalents on June 30, 2016, a \$3,018,040 increase from the July 1, 2015. This increase included positive net cash flows of \$3,438,662 from operating activities and \$154,846 from financing activities and negative net cash flow of \$575,468 from investing activities.

Please feel free to contact me with questions.