



Finance Department

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To: Mayor Soglin and Common Council Members

From: David Schmiedicke
Finance Director

Subject: Overture Center Foundation, Inc. 2014-15 Financial Statements and the Annual Performance Contract with the City of Madison

Under the 2015 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 Annual Performance Contract for calendar year 2015 referenced the following: that OCF has used its best efforts to meet its obligations for a capital reserve fund, including designating \$700,000 in net assets in a "Board Designated Reserve" as its initial installment that could be used to meet the intent of the Structural Agreement. In addition, since January 1, 2012, OCF has expended \$1,454,826 for improvements for the Overture Center.

OCF's auditor has rendered an opinion that its 2015 financial statements are fairly presented. Based on a review of the OCF financial statements for the fiscal year ending June 30, 2015, the actual performance relative to the standards established in the annual performance contract was as follows:

Unrestricted net assets = \$337,970 (meets standard)

Carry-forward operating deficit = \$362,030 (2.0% of 2015 expenses – meets standard). The deficit consists of unrestricted net assets less \$700,000 set-aside as a board designated reserve for capital expenses consistent with the capital reserve requirement in the annual performance contract.

OCF also had \$4,715,029 in cash and cash equivalents on June 30, 2015, a \$1,393,189 increase from the July 1, 2014. This increase included positive net cash flow of \$1,625,930 from operating activities and negative net cash flows of \$182,562 from investing activities and \$78,429 from financing activities.

Please feel free to contact me with questions.