



## Finance Department

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To: Mayor Soglin and Common Council Members

From: David Schmiedicke  
Finance Director

Subject: Overture Center Foundation, Inc. 2013-14 Financial Statements and the Annual Performance Contract with the City of Madison

Under the 2014 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 2014 referenced language that OCF "shall use its best efforts to accumulate a capital reserve fund of \$1 million with the balance of the capital reserve fund to be accumulated by June 30, 2017". The proposed 2015 Performance Contract modifies that language to read as follows, "From July 1, 2012, through June 30, 2014, OCF designated the aggregate amount of \$700,000 in a Board Designated Reserve that could be used for this purpose. In addition, since January 1, 2012, OCF has expended \$1,182,396 for capital improvements for the Overture Center."

OCF's auditor has rendered an opinion that its 2014 financial statements are fairly presented. Based on a review of the OCF financial statements for the fiscal year ending June 30, 2014, the actual performance relative to the standards established in the annual performance contract was as follows:

Unrestricted net assets = \$222,054 (meets standard)

Carry-forward operating deficit = \$476,946 (3.7% of 2014 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 \$3,321,840 in cash and cash equivalents on June 30, 2014, a \$279,200 increase from the July 1, 2013. This increase included positive net cash flow of \$583,812 from operating activities and negative net cash flows of \$239,929 from investing activities and \$73,689 from financing activities.

Please feel free to contact me with questions.