

OVERTURE CENTER FOUNDATION, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
WITH CONSOLIDATING INFORMATION**

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Overture Center Foundation, Inc.
Madison, Wisconsin

We have audited the accompanying consolidated financial statements of Overture Center Foundation, Inc., which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Overture Center Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for

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purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
September 4, 2015

OVERTURE CENTER FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 4,715,029	\$ 3,321,840
Accounts receivable, net	330,057	370,047
Unconditional promises to give, net	1,046,589	1,090,918
Beneficial interest in assets held by Madison Community Foundation	1,288,431	1,311,244
Prepaid expenses	244,188	239,858
Property and equipment, net	<u>150,903,973</u>	<u>154,089,220</u>
Total assets	<u>\$ 158,528,267</u>	<u>\$ 160,423,127</u>
LIABILITIES		
Accounts payable	\$ 333,708	\$ 209,123
Accrued liabilities	346,614	427,824
Capital lease obligation	83,483	161,912
Unearned revenue	5,009,264	3,804,635
Due to City of Madison	<u>259,096</u>	<u>307,809</u>
Total liabilities	6,032,165	4,911,303
NET ASSETS		
Unrestricted	150,000,923	153,117,792
Temporarily restricted	1,621,929	1,549,032
Permanently restricted	<u>873,250</u>	<u>845,000</u>
Total net assets	<u>152,496,102</u>	<u>155,511,824</u>
Total liabilities and net assets	<u>\$ 158,528,267</u>	<u>\$ 160,423,127</u>

See accompanying notes.

OVERTURE CENTER FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended June 30, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
SUPPORT AND OTHER REVENUE		
Ticket sales and fees	\$ 8,530,316	\$ 6,611,480
Facility rentals and services	1,919,387	1,911,122
Investment return	4,296	5,894
Other revenue	909,121	729,568
Contributions	1,172,289	1,107,329
Grants and sponsorships	88,917	20,250
City of Madison support grant	1,675,000	1,675,000
	<u>14,299,326</u>	<u>12,060,643</u>
Total unrestricted support and other revenue	14,299,326	12,060,643
EXPENSES		
Salaries, wages and benefits	6,115,837	5,907,758
Artists and performance fees	4,741,830	3,204,863
Advertising	741,814	497,734
Purchased services	1,269,290	1,078,611
Professional services	187,733	178,787
Ticketing fees	30,991	287,126
Supplies	485,294	392,233
Utilities	717,704	729,337
Information technology	292,591	239,455
Insurance	168,023	160,638
Other expenses	4,662	41,421
Depreciation	3,457,685	3,422,686
Interest expense	7,911	12,659
	<u>18,221,365</u>	<u>16,153,308</u>
Total expenses	18,221,365	16,153,308
NET ASSETS RELEASED FROM RESTRICTIONS	<u>805,170</u>	<u>861,595</u>
Change in unrestricted net assets	(3,116,869)	(3,231,070)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	307,489	83,092
Grants and sponsorships	562,593	660,220
Net assets released from restrictions	(805,170)	(861,595)
Change in value of beneficial interest in assets held by Madison Community Foundation	7,985	175,919
	<u>72,897</u>	<u>57,636</u>
Change in temporarily restricted net assets	72,897	57,636
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	<u>28,250</u>	<u>-</u>
Change in net assets	(3,015,722)	(3,173,434)
Net assets - beginning of year	<u>155,511,824</u>	<u>158,685,258</u>
Net assets - end of year	<u>\$ 152,496,102</u>	<u>\$ 155,511,824</u>

See accompanying notes.

OVERTURE CENTER FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,015,722)	\$ (3,173,434)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	3,457,685	3,422,686
Donated property and equipment	(59,078)	(32,800)
Contributions restricted for long-term purposes	(28,250)	-
Change in value of beneficial interest in assets held by Madison Community Foundation	(7,985)	(175,919)
(Increase) decrease in assets		
Accounts receivable, net	39,990	30,213
Unconditional promises to give, net	44,329	(117,157)
Prepaid expenses	(4,330)	(35,999)
Increase (decrease) in liabilities		
Accounts payable	124,585	38,590
Accrued liabilities	(81,210)	(414,443)
Due to City of Madison	(48,713)	115,069
Unearned revenue	1,204,629	927,006
Net cash flows from operating activities	1,625,930	583,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(213,360)	(292,045)
Transfer of assets to Madison Community Foundation	(28,250)	-
Distributions received from assets held by Madison Community Foundation	59,048	61,116
Net cash flows from investing activities	(182,562)	(230,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(78,429)	(73,683)
Proceeds from contributions restricted for investment in permanent endowment	28,250	-
Net cash flows from financing activities	(50,179)	(73,683)
Net change in cash and cash equivalents	1,393,189	279,200
Cash and cash equivalents - beginning of year	3,321,840	3,042,640
Cash and cash equivalents - end of year	<u>\$ 4,715,029</u>	<u>\$ 3,321,840</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 7,911	\$ 12,659
Noncash investing and financing transactions		
Capital lease obligations incurred for use of equipment	-	235,595
Donated property and equipment	59,078	32,800

See accompanying notes.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Overture Center Foundation, Inc. (OCF) is a Wisconsin non-stock, tax exempt organization that leases and operates the Overture Center for the Arts (the Center), a performing and visual arts center in Madison, Wisconsin. OCF's mission is to enrich the lives of individuals and the community by creating, encouraging and catalyzing extraordinary experiences. Among other activities, OCF raises funds to support free and low-cost community and education programs, as well as other programs and initiatives which help to advance the mission. The Center is also home to ten resident companies: Bach Dancing and Dynamite Society, Forward Theater Company, Children's Theater of Madison, Li Chiao-Ping Dance, Kanopy Dance Company, Madison Ballet, Madison Opera, Madison Symphony Orchestra, Wisconsin Academy, and Wisconsin Chamber Orchestra (collectively, Residents).

Overture Development Corporation (ODC), a Wisconsin non-stock, tax exempt organization, was established on June 8, 2000 for the sole purpose of constructing the Center. On August 5, 2011 the Block 65 Condominium Association was formed and the Center was split into two condominiums. Unit one was gifted to the Madison Museum of Contemporary Arts (MMoCA). Unit two was retained by ODC and leased to OCF. Effective January 1, 2012, the amended bylaws of ODC decreased the size of ODC's board of directors from nine members to five. The revised bylaws require that three of the five board members be members of OCF's board of directors. This change in composition of ODC's board gives OCF a majority voting interest in ODC and, thus, requires the consolidation of ODC with OCF.

Principles of Consolidation

The consolidated financial statements include the accounts of OCF and ODC. ODC is consolidated since OCF has both an economic interest in ODC and control of ODC through a majority voting interest in its governing body. All material intra-entity transactions have been eliminated.

Basis of Presentation

The consolidated financial statements of OCF have been prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles.

Cash and Cash Equivalents

OCF defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

OCF maintains its cash balances at one financial institution in a non-interest bearing checking account and an interest bearing money market account. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000 per customer, per institution. At June 30, 2014, OCF's uninsured cash balances totaled \$3,163,121. As of June 30, 2015, OCF had no uninsured cash balance after establishing an Insured Cash Sweep account at its financial institution.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable are stated at the amount OCF expects to collect from outstanding balances. Based upon OCF's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year end will be immaterial. Accounts are written off when management believes the balance is no longer collectible. Accounts receivable are shown net of an allowance for doubtful accounts of \$2,000 for the years ended June 30, 2015 and 2014.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due date are written off unless the donors indicate that payment is merely postponed.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. OCF records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the consolidated statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Donated property and equipment are recognized as revenue at their estimated fair value at the date of receipt and capitalized and depreciated over their useful lives. Donated property and equipment are recognized as unrestricted support unless the donor stipulates how the donated assets must be used.

Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. OCF reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of OCF are classified and reported as follows:

Unrestricted Net Assets—Net assets that are not subject to donor-imposed restrictions or the donor imposed restrictions have been met.

Temporarily Restricted Net Assets—Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of OCF pursuant to those stipulations.

Permanently Restricted Net Assets—Net assets subject to donor-imposed stipulations that they be maintained permanently, but permit OCF to expend part or all of the income derived from the resources for either specified or unspecified purposes.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions (including grants and sponsorships) received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ticket Sales

Charges for ticket sales, ticketing fees and other services revenues are recorded in the period when the related service is performed.

Ticket office receipts and facility rental deposits attributable to future activities are included in cash and cash equivalents and reflected as unearned revenue until earned.

In-Kind Contributions

Contributed goods are recognized as revenue at their estimated fair value at date of receipt and expensed when used. Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require a specialized skill, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying consolidated financial statements. From 1980 to the present, volunteers have contributed countless hours of service supporting the arts. OCF simply could not work without the hundreds of dedicated individuals who donate their time and talents each year as ushers, tour guides, information desk associates, and special events staff. While the value of these volunteer services is not recognized as revenue, these services save OCF over \$400,000 annually in labor costs.

Gifts of land, buildings, and equipment are recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Gifts of long-lived assets are capitalized and depreciated in accordance with OCF's property and equipment practices.

Expense Allocation

Directly identifiable expenses are charged to program services and supporting activities. Expenses related to more than one function are charged to program services and supporting activities on the basis of periodic time and expense studies.

Tax Exempt Status

Overture Center Foundation, Inc. is a tax exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of Wisconsin law and, accordingly, is not subject to federal or state income taxes.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exempt Status (continued)

Overture Development Corporation, Inc. is a tax exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of Wisconsin law and, accordingly, is not subject to federal or state income taxes.

In accordance with the accounting standard Accounting for Uncertainty in Income Taxes, Overture Center Foundation, Inc. and Overture Development Corporation, Inc. address the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, a tax benefit may be recognized from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merit of the position. Examples of tax positions include tax exempt status and various positions related to the potential sources of unrelated business taxable income. There were no significant unrecognized tax benefits identified or recorded as liabilities during fiscal year 2015 and 2014. Open tax years subject to examination by the U.S. and state taxing authorities are for the years 2011 to 2014, which statutes expire in 2015 to 2018, respectively.

NOTE 2—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 are as follows:

Assets at Fair Value as of June 30, 2015				
	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by Madison Community Foundation	<u>\$ 1,288,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,288,431</u>
Assets at Fair Value as of June 30, 2014				
	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by Madison Community Foundation	<u>\$ 1,311,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,311,244</u>

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2—FAIR VALUE MEASUREMENTS (continued)

OCF's beneficial interest in assets held by Madison Community Foundation (MCF) represents an agreement between OCF and MCF in which the Organization transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to OCF by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 1,311,244	\$ 1,196,441
Transfer of assets to Madison Community Foundation	28,250	-
Distributions received from assets held by Madison Community Foundation	(59,048)	(61,116)
Change in value of beneficial interest included in change in net assets	<u>7,985</u>	<u>175,919</u>
Ending balance	<u>\$ 1,288,431</u>	<u>\$ 1,311,244</u>

NOTE 3—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 651,955	\$ 732,818
Receivable in one to five years	416,634	372,800
Less: Discounts to net present value	(12,000)	(4,700)
Less: Allowance for doubtful accounts	<u>(10,000)</u>	<u>(10,000)</u>
Unconditional promises to give, net	<u>\$ 1,046,589</u>	<u>\$ 1,090,918</u>

The rates used to discount the unconditional promises to give at June 30, 2015 and 2014 ranged between 0.3% and 2.3%.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4—ENDOWMENT

Endowment investments consisted of the following at June 30, 2015 and 2014:

	2015	2014
Beneficial interest in assets held by Madison Community Foundation	\$ 1,288,431	\$ 1,311,244

The Overture Center Endowment Fund (Endowment) is a component fund of the Madison Community Foundation, a tax-exempt community foundation located in Madison, Wisconsin. OCF is the designated beneficiary of the Endowment. The Overture Center Endowment Fund was originally established in 1977 by the Common Council of the City of Madison to provide support for the operations of the Madison Civic Center. In 1985, a permanent endowment of \$830,000 was established. In 2015 a donor contributed \$28,250 to Overture’s permanent endowment fund with the MCF. The Endowment agreement provides for the distribution of net income of the Fund each year. The current policy is to distribute 4.75% of the value of the Fund assets each year. However, no distributions of the Fund will reduce the minimum balance of the Fund below the \$873,250 permanent endowment requirement. The Fund is charged management and trust fees by MCF each quarter.

In 2005, Overture Center for the Arts was built, replacing the Madison Civic Center. On January 1, 2012, when OCF took over the operations of Overture Center for the Arts from the Madison Cultural Arts District (MCAD), it became the beneficiary of the Fund and thus recorded the asset value of the Fund on its financial statement, reflecting both permanently restricted and temporarily restricted net assets.

Interpretation of Relevant Law—The OCF governing board has interpreted the Wisconsin enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing OCF to appropriate for expenditure or accumulate so much of an endowment fund as OCF determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the governing board.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4—ENDOWMENT (continued)

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by OCF in a manner consistent with the standards of prudence prescribed up UPMIFA. In accordance with UPMIFA, OCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of OCF and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of OCF
7. The investment policies of OCF

Endowment net asset composition by type of fund consisted of the following as of June 30, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2015				
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 415,181</u>	<u>\$ 873,250</u>	<u>\$ 1,288,431</u>
2014				
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 466,244</u>	<u>\$ 845,000</u>	<u>\$ 1,311,244</u>

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4—ENDOWMENT (continued)

Changes in endowment net assets for the years ended June 30, 2015 and 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2013	\$ -	\$ 351,441	\$ 845,000	\$ 1,196,441
Investment income, net of fees and expenses	-	175,919	-	175,919
Proceeds from sale of endowment investments for operations	-	<u>(61,116)</u>	-	<u>(61,116)</u>
Endowment net assets, June 30, 2014	-	466,244	845,000	1,311,244
Investment income, net of fees and expenses	-	7,985	28,250	36,235
Proceeds from sale of endowment investments for operations	-	<u>(59,048)</u>	-	<u>(59,048)</u>
Endowment net assets, June 30, 2015	<u>\$ -</u>	<u>\$ 415,181</u>	<u>\$ 873,250</u>	<u>\$ 1,288,431</u>

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or UPMIFA requires the MCF to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. OCF does not have any such deficiencies with its endowment fund.

Spending Policy Summary—The MCF's spending policy guidelines follow methods for the distribution of earnings from donor-restricted endowment funds that seek to preserve the endowment's purchasing power. In addition, in the context of investing the majority of the assets in equities, the Foundation's goal is to manage the endowment in a manner that will seek to produce a predictable and stable stream of funds for charitable purposes. It includes a strategy for long-term investment and a procedure for calculating the amount to be distributed. The amount to be distributed from a fund is 4.75% of the fund's average market value over the last 12 quarters. Administrative fees are based on a percentage of the fund's market value.

Investment Strategy—The MCF investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the world equity, fixed income, commodities, real estate and private equity markets. This strategy provides the MCF with a long-term asset mix that is most likely to meet the MCF's long-term goals with the appropriate level of risk.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2015 and 2014:

	2015	2014
Land	\$ 5,848,499	\$ 5,848,499
Building	155,125,702	155,125,702
Furniture, fixtures and equipment	2,558,126	2,149,060
Construction in progress	77,478	214,107
Total property and equipment	163,609,805	163,337,368
Less: accumulated depreciation	(12,705,832)	(9,248,148)
Property and equipment, net	<u>\$ 150,903,973</u>	<u>\$154,089,220</u>

Depreciation expense, including amortization of leased assets, was \$3,457,685 and \$3,422,686 for the years ended June 30, 2015 and 2014.

NOTE 6—RETIREMENT PLAN

OCF offers a defined contribution retirement plan (Plan) that covers substantially all full-time employees of OCF. Eligible employees must work at least 1,000 hours during a year to become eligible or remain eligible for participant in the Plan. New employees must complete three months of service and work an average of 20 hours per week to become eligible. OCF makes a matching contribution, up to 3% on all eligible wages. During the years ended June 30, 2015 and 2014, the company contributed \$77,389 and \$75,241 to the plan.

NOTE 7—STRUCTURAL AGREEMENT WITH CITY OF MADISON

On December 31, 2010, OCF entered into a long-term structural agreement with the City of Madison regarding the operation of the Center. By the terms of the agreement, the operations of the Center transferred from MCAD to OCF on January 1, 2012. The City of Madison agreed to provide OCF with an annual grant of \$2,000,000 per year subject to approval by the Common Council. The City further agreed to adjust the grant amount annually by the change in the consumer price index methodology in the State's Expenditure Restraint Program ("ERP"). This annual grant was to help fund the operations, capital expenditures and to support free and low-cost community programming. OCF applied for its first grant on August 1, 2011 and must reapply on or before August 1 for each subsequent year. For calendar years 2012, 2013, 2014 and 2015, OCF received grants in the amount of \$1,850,000, \$1,750,000, \$1,600,000 and \$1,750,000 respectively. The cumulative difference between grants OCF received from the City and the grants to be received per the agreement is \$1,301,151 including ERP. Per annual performance terms within the agreement, OCF also agreed to use its best efforts to accumulate a capital reserve fund of \$1,000,000 by June 30, 2014. In fiscal year 2012-13, the OCF Board of Directors designated \$900,000 in net assets in a 'Board Designated Reserve' as its initial installment that could be used to meet the intent of the structural agreement. As part of the structural agreement, OCF agreed to repay the City of Madison for a share of certain post-employment liabilities related to MCAD employees as of December 31, 2011.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 7—STRUCTURAL AGREEMENT WITH CITY OF MADISON (continued)

OCF agreed to repay these liabilities over a ten year period in equal installments (the first installment was due December 30, 2012). In June of 2013, the State of Wisconsin Department of Revenue (State) concluded a state sales tax audit of the Madison Cultural Arts District (MCAD) for the years 2008 to 2011. The State determined the sales tax liability against the City of Madison, for sales taxes related to the MCAD, to be \$272,969. The City paid the State of Wisconsin the amount due in full. The City of Madison then negotiated an agreement with the Overture Center to split the liability. This agreement, dated July 21, 2014 requires Overture to reimburse the City for its half of the liability in five equal annual principle payments in the amount of \$27,297 beginning August 15, 2014 through August 15, 2018 together with interest on the outstanding principle balance. The interest rate assessed will be equal to the City's earning rate on its pooled general fund investments plus 0.25%. This liability and corresponding expense (in the amount of \$136,485) was recognized by OCF in its financial statements in June 2014.

- a. **Unfunded Prior Pension Liability:** The City of Madison had borrowed funds to fund an unfunded liability to the Wisconsin Retirement System for all City of Madison employees. MCAD agreed to repay the City of Madison for 50% of the liability (\$177,193) at December 31, 2011. The balance due to the City as of June 30, 2015 and 2014 was \$124,035 and \$141,754.
- b. **Accrued Vacation and Comp Time:** MCAD employees were entitled to a payout of accrued vacation and comp time upon leaving City of Madison employment. In the case of payouts to city employees subsequently hired by OCF, OCF agreed to repay the City of Madison 50% of the payouts (\$36,963) at December 31, 2011. The balance due to the City as of June 30, 2015 and 2014 was \$25,875 and \$29,571.
- c. **Sales Tax Audit Liability:** Overture entered into an agreement with the City of Madison to pay 50% of the liability from the sales tax audit. The agreement was for Overture to make five annual installments of \$27,296. The balance due to the City as of June 30, 2015 was \$109,186.

NOTE 8—BUILDING OPERATING LEASE – ODC

The lease between ODC and OCF for Unit 2 of the Block 65 Condominium Association, dated January 1, 2012, is a "net lease" in which OCF does not pay ODC rent for the leased premises. OCF is responsible for all repairs, maintenance, improvements, and alternations required to the leased premises during the term of the lease. It is also responsible for all costs and expenses necessary to operate the leased property. OCF also agrees to pay or reimburse ODC for all costs, fees, and expenses ODC incurred for accounting, audit fees, reporting, legal fees and any and all other costs, fees, or expenses associated with, related to or arising in connection with the leased premises. As such, the lease between ODC and OCF does not meet the criteria for a capital lease and is being accounted for as an operating lease which expires December 31, 2041.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 9—CAPITAL LEASE

OCF entered into a capital lease for certain theater equipment in July of 2013. The lease is a three year lease, with equal monthly lease payments of \$7,195 ending June of 2016. A summary of minimum lease payments under the new capital lease as of June 30, 2015 are:

	2016
Total minimum lease payments	\$ 86,340
Less: amounts representing interest	(2,857)
Total future minimum principal payments	\$ 83,483

NOTE 10—LINE OF CREDIT

OCF has a \$175,000 revolving line of credit secured by a collateral pledge on its deposit account with the bank. The line of credit has a fixed interest rate of 2.75% and expires on October 3, 2015. There was no outstanding balance on the line of credit at June 30, 2015 or 2014.

NOTE 11—FUNCTIONAL EXPENSES

	2015	2014
Program services	\$ 16,282,050	\$ 13,770,155
Management and general	1,349,066	1,864,901
Fundraising	590,249	518,252
Total expenses	\$ 18,221,365	\$ 16,153,308

NOTE 12—COMMITMENTS AND CONTINGENCIES

OCF is required to enter into an annual performance contract with the City of Madison in conjunction with its operating grant. OCF must meet certain financial and performance benchmarks to continue to be eligible for the grant given by the City.

From time to time, OCF is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse affect on OCF's financial position or results of operations. Currently, no pending claims or legal proceedings exist.

OVERTURE CENTER FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 13—NET ASSETS

Net assets consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unrestricted:		
General operating (deficit)	\$ (362,030)	\$ (476,945)
Board Designated Reserve (per Structural Agreement with the City of Madison)	<u>700,000</u>	<u>700,000</u>
Total unrestricted - Overture Center Foundation	337,970	223,055
Overture Development Corporation net assets	<u>149,662,953</u>	<u>152,894,737</u>
Total unrestricted	<u>150,000,923</u>	<u>153,117,792</u>
Temporarily restricted:		
Program support	252,328	167,720
Endowment funds	415,181	466,244
Time restricted individual gifts	404,662	202,568
Time restricted grants and corporate sponsorships	<u>549,758</u>	<u>712,500</u>
Total temporarily restricted - Overture Center Foundation	<u>1,621,929</u>	<u>1,549,032</u>
Permanently restricted - Overture Center Foundation	<u>873,250</u>	<u>845,000</u>
Total net assets	<u><u>\$ 152,496,102</u></u>	<u><u>\$155,511,824</u></u>

OVERTURE CENTER FOUNDATION, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2015

	Overture Center Foundation	Overture Development Corporation	Consolidated Total
ASSETS			
Cash and cash equivalents	\$ 4,715,029	\$ -	\$ 4,715,029
Accounts receivable, net	330,057	-	330,057
Unconditional promises to give, net	1,046,589	-	1,046,589
Beneficial interest in assets held by Madison Community Foundation	1,288,431	-	1,288,431
Prepaid expenses	244,188	-	244,188
Property and equipment, net	1,241,020	149,662,953	150,903,973
Total assets	\$ 8,865,314	\$ 149,662,953	\$ 158,528,267
LIABILITIES			
Accounts payable	\$ 333,708	\$ -	\$ 333,708
Accrued liabilities	346,614	-	346,614
Capital lease obligation	83,483	-	83,483
Unearned revenue	5,009,264	-	5,009,264
Due to City of Madison	259,096	-	259,096
Total liabilities	6,032,165	-	6,032,165
NET ASSETS			
Unrestricted	337,970	149,662,953	150,000,923
Temporarily restricted	1,621,929	-	1,621,929
Permanently restricted	873,250	-	873,250
Total net assets	2,833,149	149,662,953	152,496,102
Total liabilities and net assets	\$ 8,865,314	\$ 149,662,953	\$ 158,528,267

OVERTURE CENTER FOUNDATION, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2014

	Overture Center Foundation	Overture Development Corporation	Consolidated Total
ASSETS			
Cash and cash equivalents	\$ 3,321,840	\$ -	\$ 3,321,840
Accounts receivable, net	370,047	-	370,047
Unconditional promises to give, net	1,090,918	-	1,090,918
Beneficial interest in assets held by Madison Community Foundation	1,311,244	-	1,311,244
Prepaid expenses	239,858	-	239,858
Property and equipment, net	1,194,483	152,894,737	154,089,220
Total assets	\$ 7,528,390	\$ 152,894,737	\$ 160,423,127
LIABILITIES			
Accounts payable	\$ 209,123	\$ -	\$ 209,123
Accrued liabilities	427,824	-	427,824
Capital lease obligation	161,912	-	161,912
Unearned revenue	3,804,635	-	3,804,635
Due to City of Madison	307,809	-	307,809
Total liabilities	4,911,303	-	4,911,303
NET ASSETS			
Unrestricted	223,055	152,894,737	153,117,792
Temporarily restricted	1,549,032	-	1,549,032
Permanently restricted	845,000	-	845,000
Total net assets	2,617,087	152,894,737	155,511,824
Total liabilities and net assets	\$ 7,528,390	\$ 152,894,737	\$ 160,423,127

OVERTURE CENTER FOUNDATION, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended June 30, 2015

	Overture Center Foundation	Overture Development Corporation	Consolidated Total
UNRESTRICTED NET ASSETS			
SUPPORT AND OTHER REVENUE			
Ticket sales and fees	\$ 8,530,316	\$ -	\$ 8,530,316
Facility rentals and services	1,919,387	-	1,919,387
Investment return	4,296	-	4,296
Other revenue	909,121	-	909,121
Contributions	1,172,289	-	1,172,289
Grants and sponsorships	88,917	-	88,917
City of Madison support grant	1,675,000	-	1,675,000
Total unrestricted support and other revenue	14,299,326	-	14,299,326
EXPENSES			
Salaries, wages and benefits	6,115,837	-	6,115,837
Artists and performance fees	4,741,830	-	4,741,830
Advertising	741,814	-	741,814
Purchased services	1,269,290	-	1,269,290
Professional services	187,733	-	187,733
Ticketing fees	30,991	-	30,991
Supplies	485,294	-	485,294
Utilities	717,704	-	717,704
Information technology	292,591	-	292,591
Insurance	168,023	-	168,023
Other expenses	4,662	-	4,662
Depreciation	225,901	3,231,784	3,457,685
Interest expense	7,911	-	7,911
Total expenses	14,989,581	3,231,784	18,221,365
NET ASSETS RELEASED FROM RESTRICTIONS			
	805,170	-	805,170
Change in unrestricted net assets	114,915	(3,231,784)	(3,116,869)
TEMPORARILY RESTRICTED NET ASSETS			
Contributions	307,489	-	307,489
Grants and sponsorships	562,593	-	562,593
Net assets released from restrictions	(805,170)	-	(805,170)
Change in value of beneficial interest in assets held by Madison Community Foundation	7,985	-	7,985
Change in temporarily restricted net assets	72,897	-	72,897
PERMANENTLY RESTRICTED NET ASSETS			
Contributions	28,250	-	28,250
Change in net assets	216,062	(3,231,784)	(3,015,722)
Net assets - beginning of year	2,617,087	152,894,737	155,511,824
Net assets - end of year	\$ 2,833,149	\$ 149,662,953	\$ 152,496,102

OVERTURE CENTER FOUNDATION, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended June 30, 2014

	Overture Center Foundation	Overture Development Corporation	Consolidated Total
UNRESTRICTED NET ASSETS			
SUPPORT AND OTHER REVENUE			
Ticket sales and fees	\$ 6,611,480	\$ -	\$ 6,611,480
Facility rentals and services	1,911,122	-	1,911,122
Investment return	5,894	-	5,894
Other revenue	729,568	-	729,568
Contributions	1,107,329	-	1,107,329
Grants and sponsorships	20,250	-	20,250
City of Madison support grant	1,675,000	-	1,675,000
Total unrestricted support and other revenue	12,060,643	-	12,060,643
EXPENSES			
Salaries, wages and benefits	5,907,758	-	5,907,758
Artists and performance fees	3,204,863	-	3,204,863
Advertising	497,734	-	497,734
Purchased services	1,078,611	-	1,078,611
Professional services	178,787	-	178,787
Ticketing fees	287,126	-	287,126
Supplies	392,233	-	392,233
Utilities	729,337	-	729,337
Information technology	239,455	-	239,455
Insurance	160,638	-	160,638
Other expenses	41,421	-	41,421
Depreciation	190,900	3,231,786	3,422,686
Interest expense	12,659	-	12,659
Total expenses	12,921,522	3,231,786	16,153,308
NET ASSETS RELEASED FROM RESTRICTIONS	861,595	-	861,595
Change in unrestricted net assets	716	(3,231,786)	(3,231,070)
TEMPORARILY RESTRICTED NET ASSETS			
Contributions	83,092	-	83,092
Grants and sponsorships	660,220	-	660,220
Net assets released from restrictions	(861,595)	-	(861,595)
Change in value of beneficial interest in assets Held by Madison Community Foundation	175,919	-	175,919
Change in temporarily restricted net assets	57,636	-	57,636
Change in net assets	58,352	(3,231,786)	(3,173,434)
Net assets - beginning of year	2,558,735	156,126,523	158,685,258
Net assets - end of year	\$ 2,617,087	\$ 152,894,737	\$ 155,511,824