

OVERTURE CENTER FOUNDATION, INC.
Madison, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2017 and 2016

OVERTURE CENTER FOUNDATION, INC.
Madison, Wisconsin

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7 - 8
Notes to Consolidated Financial Statements	9 - 24
SUPPLEMENTAL INFORMATION	
Consolidating Schedules of Financial Position	26 - 27
Consolidating Schedules of Activities	28 - 29

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Overture Center Foundation, Inc. (a Wisconsin not-for-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

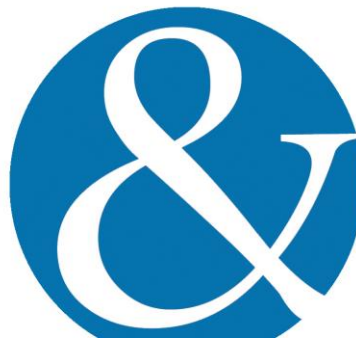
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes, the design, implementation, and maintenance of internal control relevant to the preparation 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 audit. We conducted our audit 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 2017 consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Overture Center Foundation, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Overture Center Foundation, Inc. as of June 30, 2016, were audited by other auditors whose report dated September 19, 2016, expressed an unmodified opinion on those statements. The consolidated statement of functional expenses for the year ended June 30, 2016, was not presented in the prior year and therefore has not been audited.

Report on Consolidating Information

Our audit was 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 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 2017 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Madison, Wisconsin
September 8, 2017

Smith & Gesteland, LLP
SMITH & GESTELAND, LLP

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,088,709	\$ 7,733,069
Accounts receivable, net	186,326	178,192
Unconditional promises to give, net	775,286	626,881
Prepaid expenses	303,820	291,503
Note receivable, current portion	21,381	0
Total current assets	<u>8,375,522</u>	<u>8,829,645</u>
Other assets		
Long-term unconditional promises to give, net	497,133	299,817
Note receivable, net of current portion	22,474	0
Beneficial interest in assets held by Madison Community Foundation	1,318,321	1,194,997
Cash restricted for endowment	500,000	0
Property and equipment, net	<u>146,648,830</u>	<u>148,097,164</u>
Total other assets	<u>148,986,758</u>	<u>149,591,978</u>
Total assets	<u>\$ 157,362,280</u>	<u>\$ 158,421,623</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 358,413	\$ 299,330
Accrued liabilities	733,394	728,744
Unearned revenue	4,658,098	5,830,733
Due to City of Madison, current portion	48,712	48,712
Notes payable, current portion	<u>135,816</u>	<u>45,664</u>
Total current liabilities	<u>5,934,433</u>	<u>6,953,183</u>
Long-term liabilities		
Due to City of Madison, net of current portion	112,958	161,671
Notes payable, net of current portion	<u>1,015,146</u>	<u>172,665</u>
Total long-term liabilities	<u>1,128,104</u>	<u>334,336</u>
Total liabilities	<u>7,062,537</u>	<u>7,287,519</u>
Net assets		
Unrestricted	146,828,927	148,741,840
Temporarily restricted	2,068,066	1,504,014
Permanently restricted	<u>1,402,750</u>	<u>888,250</u>
Total net assets	<u>150,299,743</u>	<u>151,134,104</u>
Total liabilities and net assets	<u>\$ 157,362,280</u>	<u>\$ 158,421,623</u>

The accompanying notes are an integral part of the financial statements.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operations				
Operating revenue				
Ticket sales and fees	\$ 14,382,444	\$ 0	\$ 0	\$ 14,382,444
Facility rentals and services	2,040,550	0	0	2,040,550
Investment return	6,869	0	0	6,869
Other revenue	905,242	0	0	905,242
Special events	262,631	0	0	262,631
Total operating revenue	<u>17,597,736</u>	<u>0</u>	<u>0</u>	<u>17,597,736</u>
Operating expenses				
Production	11,777,802	0	0	11,777,802
Programming, performance operations, and events	1,946,392	0	0	1,946,392
Ticketing, marketing, and sales	1,814,192	0	0	1,814,192
Facilities	2,045,932	0	0	2,045,932
Management and general	1,830,776	0	0	1,830,776
Total operating expense	<u>19,415,094</u>	<u>0</u>	<u>0</u>	<u>19,415,094</u>
Deficit from operations	<u>(1,817,358)</u>	<u>0</u>	<u>0</u>	<u>(1,817,358)</u>
Fundraising				
Contributions	1,235,395	778,244	514,500	2,528,139
Grants and sponsorships	233,600	600,123	0	833,723
Fundraising expense	(764,550)	0	0	(764,550)
Net assets released from restrictions	982,040	(982,040)	0	0
Surplus from fundraising	<u>1,686,485</u>	<u>396,327</u>	<u>514,500</u>	<u>2,597,312</u>
Other Income and Expenses				
Change in value of beneficial interest in assets held by Madison Community Foundation	0	167,725	0	167,725
City of Madison support grant	1,825,000	0	0	1,825,000
Depreciation expense	(3,593,312)	0	0	(3,593,312)
Interest expense	(13,728)	0	0	(13,728)
Total other income and expenses	<u>(1,782,040)</u>	<u>167,725</u>	<u>0</u>	<u>(1,614,315)</u>
Change in net assets	<u>(1,912,913)</u>	<u>564,052</u>	<u>514,500</u>	<u>(834,361)</u>
Net assets - beginning of year	<u>148,741,840</u>	<u>1,504,014</u>	<u>888,250</u>	<u>151,134,104</u>
Net assets - end of year	<u>\$ 146,828,927</u>	<u>\$ 2,068,066</u>	<u>\$ 1,402,750</u>	<u>\$ 150,299,743</u>

The accompanying notes are an integral part of the financial statements.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operations				
Operating revenue				
Ticket sales and fees	\$ 15,367,081	\$ 0	\$ 0	\$ 15,367,081
Facility rentals and services	1,823,475	0	0	1,823,475
Investment return	6,761	0	0	6,761
Other revenue	904,351	0	0	904,351
Special events	<u>277,523</u>	<u>0</u>	<u>0</u>	<u>277,523</u>
Total operating revenue	<u>18,379,191</u>	<u>0</u>	<u>0</u>	<u>18,379,191</u>
Operating expenses				
Production	12,451,215	0	0	12,451,215
Programming, performance operations, and events	1,856,786	0	0	1,856,786
Ticketing, marketing, and sales	1,892,936	0	0	1,892,936
Facilities	1,994,924	0	0	1,994,924
Management and general	<u>1,439,873</u>	<u>0</u>	<u>0</u>	<u>1,439,873</u>
Total operating expense	<u>19,635,734</u>	<u>0</u>	<u>0</u>	<u>19,635,734</u>
Deficit from operations	<u>(1,256,543)</u>	<u>0</u>	<u>0</u>	<u>(1,256,543)</u>
Fundraising				
Contributions	1,369,968	332,639	15,000	1,717,607
Grants and sponsorships	212,773	402,195	0	614,968
Fundraising expense	(611,389)	0	0	(611,389)
Net assets released from restrictions	<u>804,655</u>	<u>(804,655)</u>	<u>0</u>	<u>0</u>
Surplus from fundraising	<u>1,776,007</u>	<u>(69,821)</u>	<u>15,000</u>	<u>1,721,186</u>
Other Income and Expenses				
Change in value of beneficial interest in assets held by Madison Community Foundation	0	(48,094)	0	(48,094)
City of Madison support grant	1,750,000	0	0	1,750,000
Depreciation expense	(3,521,726)	0	0	(3,521,726)
Interest expense	<u>(6,821)</u>	<u>0</u>	<u>0</u>	<u>(6,821)</u>
Total other income and expenses	<u>(1,778,547)</u>	<u>(48,094)</u>	<u>0</u>	<u>(1,826,641)</u>
Change in net assets	(1,259,083)	(117,915)	15,000	(1,361,998)
Net assets - beginning of year	<u>150,000,923</u>	<u>1,621,929</u>	<u>873,250</u>	<u>152,496,102</u>
Net assets - end of year	<u>\$ 148,741,840</u>	<u>\$ 1,504,014</u>	<u>\$ 888,250</u>	<u>\$ 151,134,104</u>

The accompanying notes are an integral part of the financial statements.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30

	2017				2016 (unaudited)			
	Program	Management	Fundraising	Total	Program	Management	Fundraising	Total
Salaries, wages, and benefits	\$ 5,575,040	\$ 1,406,752	\$ 504,196	\$ 7,485,988	\$ 5,401,863	\$ 1,044,790	\$ 396,718	\$ 6,843,371
Artists and performance fees	8,116,940	0	8,025	8,124,965	8,815,723	0	7,018	8,822,741
Advertising	1,036,765	0	61,988	1,098,753	1,114,768	0	40,819	1,155,587
Purchased services	1,205,201	170,880	99,198	1,475,279	1,071,659	176,433	73,886	1,321,978
Professional services	43,366	153,922	23,763	221,051	74,270	98,953	27,211	200,434
Ticketing fees	30,696	0	0	30,696	33,585	0	0	33,585
Supplies	413,142	28,454	32,118	473,714	458,999	31,657	20,321	510,977
Utilities	698,704	10,694	3,565	712,963	686,950	28,924	7,231	723,105
Information technology	171,969	30,475	15,238	217,682	185,850	32,524	13,939	232,313
Insurance	121,397	13,640	1,364	136,401	135,532	15,228	1,523	152,283
Special events	163,851	0	0	163,851	200,206	0	0	200,206
Other expenses	7,247	15,959	15,095	38,301	16,456	11,364	22,723	50,543
Subtotal	17,584,318	1,830,776	764,550	20,179,644	18,195,861	1,439,873	611,389	20,247,123
Depreciation	3,586,081	5,423	1,808	3,593,312	3,515,927	4,349	1,450	3,521,726
Interest expense	0	13,728	0	13,728	0	6,821	0	6,821
	<u>\$ 21,170,399</u>	<u>\$ 1,849,927</u>	<u>\$ 766,358</u>	<u>\$ 23,786,684</u>	<u>\$ 21,711,788</u>	<u>\$ 1,451,043</u>	<u>\$ 612,839</u>	<u>\$ 23,775,670</u>

The accompanying notes are an integral part of the financial statements.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (834,361)	\$ (1,361,998)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,593,312	3,521,726
Donated property and equipment	(84,751)	(97,743)
Gain on sale of equipment	0	(1,366)
Contributions restricted for long-term purposes	(514,500)	(15,000)
Change in value of beneficial interest in assets held by Madison Community Foundation	(167,725)	48,094
(Increase) decrease in assets:		
Accounts receivable, net	(8,134)	151,865
Unconditional promises to give, net	(345,721)	119,891
Prepaid expenses	(12,317)	(47,315)
Increase (decrease) in liabilities:		
Accounts payable	13,728	(34,378)
Accrued liabilities	4,650	382,130
Due to City of Madison	(48,713)	(48,713)
Unearned revenue	(1,172,635)	821,469
Net cash provided by operating activities	<u>422,833</u>	<u>3,438,662</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(2,014,872)	(620,808)
Increase in cash restricted for endowment	(500,000)	0
Transfer of assets to Madison Community Foundation	(14,500)	(15,000)
Distributions received from assets held by Madison Community Foundation	58,901	60,340
Issuance of note receivable	(43,855)	0
Net cash used in investing activities	<u>\$ (2,514,326)</u>	<u>\$ (575,468)</u>

The accompanying notes are an integral part of the financial statements.

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	\$ 0	\$ (83,483)
Proceeds from notes payable	1,000,000	240,573
Payments on notes payable	(67,367)	(22,244)
Proceeds from sale of equipment	0	5,000
Proceeds from contributions restricted for investment in permanent endowment	<u>514,500</u>	<u>15,000</u>
Net cash provided by financing activities	<u>1,447,133</u>	<u>154,846</u>
Net change in cash and cash equivalents	(644,360)	3,018,040
Cash and cash equivalents - beginning of year	<u>7,733,069</u>	<u>4,715,029</u>
Cash and cash equivalents - end of year	<u><u>\$ 7,088,709</u></u>	<u><u>\$ 7,733,069</u></u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 13,728	\$ 6,821
Noncash investing and financing transactions:		
Equipment acquisitions in accounts payable	45,355	0
Equipment acquired with financing	0	240,573

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Art (MMoCA). Unit two was retained by ODC and leased to OCF. The bylaws of ODC require that three of the five board members be members of OCF's board of directors. This composition of ODC's board gives OCF a majority voting interest in ODC and, thus, requires the consolidation of ODC with OCF.

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

A. 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 significant transactions and balances between the organizations have been eliminated for financial statement purposes.

B. BASIS OF PRESENTATION

The consolidated financial statements of OCF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. 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.

D. 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, 2017 and 2016.

E. 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 expected to be 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. Promises to give are shown net of an allowance for doubtful accounts of \$10,000 for the years ended June 30, 2017 and 2016.

F. 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.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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 the consolidated statement of activities as increases or decreases in unrestricted net assets.

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. OCF 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.

H. 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.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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.

J. 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.

K. 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.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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.

M. ADVERTISING EXPENSES

Advertising costs are charged to operations when incurred. Advertising expense was \$1,098,753 and \$1,155,587 for the years ended June 30, 2017 and 2016, respectively.

N. 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.

O. TAX EXEMPT STATUS

OCF and ODC are tax exempt organizations under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of Wisconsin law, and accordingly, are not subject to federal or state income taxes. However, income from certain activities not directly related to the tax exempt purpose of OCF or ODC may be subject to taxation as unrelated business income. OCF has net operating loss carry-forwards for both federal and state purposes resulting from certain unrelated business activities. If not used, the federal and state carry-forwards will begin to expire in 2028 and 2023, respectively. Any deferred tax asset resulting from the carry-forwards has been fully allowed for due to uncertainty of any benefit being realized.

P. SALES TAX

Sales tax is recorded on the net method. All applicable taxes are recorded as a liability when incurred.

Q. RECLASSIFICATIONS

Certain amounts in the 2016 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between participants on the measurement date. When determining fair value, OCF considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The framework for measuring fair value provides a fair value hierarchy that requires OCF to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization in the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy establishes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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

	2017			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by Madison Community Foundation	<u>\$ 1,318,321</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,318,321</u>

	2016			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by Madison Community Foundation	<u>\$ 1,194,997</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,194,997</u>

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 OCF 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>2017</u>	<u>2016</u>
Beginning balance	\$ 1,194,997	\$ 1,288,431
Transfer of assets to Madison Community Foundation	14,500	15,000
Distributions received from assets held by Madison Community Foundation	(58,901)	(60,340)
Change in value of beneficial interest included in change in net assets	<u>167,725</u>	<u>(48,094)</u>
Ending balance	<u>\$ 1,318,321</u>	<u>\$ 1,194,997</u>

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 775,286	\$ 626,881
Receivable in one to five years	519,833	319,317
Less discounts to net present value	(12,700)	(9,500)
Less allowance for promises receivable	<u>(10,000)</u>	<u>(10,000)</u>
Unconditional promises to give, net	<u>\$ 1,272,419</u>	<u>\$ 926,698</u>

The rates used to discount the unconditional promises to give at June 30, 2017 and 2016, ranged between 1.6% and 2.9%.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ENDOWMENT

Endowment investments consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Cash restricted for endowment	\$ 500,000	\$ 0
Beneficial interest in assets held by Madison Community Foundation	<u>1,318,321</u>	<u>1,194,997</u>
Total endowment investments	<u>\$ 1,818,321</u>	<u>\$ 1,194,997</u>

The Overture Center Endowment Fund (Fund) 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 Fund. The 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 2013, 2015, 2016, and 2017, a donor contributed \$15,000, \$28,250, \$15,000, and \$14,500, respectively, to OCF's permanent endowment fund with the MCF. The Fund agreement provides for the distribution of net income of the Fund each year. The current policy is to distribute 4.5% of the value of the Fund assets each year. However, no distributions from the Fund will reduce the minimum balance of the Fund below the \$902,750 permanent endowment requirement. The Fund is charged management and trust fees by MCF each quarter.

In 2005, the Center 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 statements, reflecting both permanently restricted and temporarily restricted net assets.

Interpretation of Relevant Law - The OCF governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, OCF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in 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 standard of prudence described by UPMIFA.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 in 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:

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 415,571</u>	<u>\$ 1,402,750</u>	<u>\$ 1,818,321</u>
<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 306,747</u>	<u>\$ 888,250</u>	<u>\$ 1,194,997</u>

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ENDOWMENT (continued)

Changes in endowment net assets for the years ended June 30 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 0	\$ 415,181	\$ 873,250	\$ 1,288,431
Contributions	0	0	15,000	15,000
Investment loss net of fees and expenses	0	(48,094)	0	(48,094)
Proceeds from sale of endowment investments for operations	<u>0</u>	<u>(60,340)</u>	<u>0</u>	<u>(60,340)</u>
Endowment net assets, June 30, 2016	0	306,747	888,250	1,194,997
Contributions	0	0	514,500	514,500
Investment gain net of fees and expenses	0	167,725	0	167,725
Proceeds from sale of endowment investments for operations	<u>0</u>	<u>(58,901)</u>	<u>0</u>	<u>(58,901)</u>
Endowment net assets, June 30, 2017	<u>\$ 0</u>	<u>\$ 415,571</u>	<u>\$ 1,402,750</u>	<u>\$ 1,818,321</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 the unrestricted net assets. OCF does not have any such deficiencies within its endowment fund.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ENDOWMENT (continued)

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 Fund's purchasing power. In addition, in the context of investing the majority of the assets in equities, MCF's goal is to manage the Fund 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 4.5% of the fund's average market value over the last 20 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.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 5,848,499	\$ 5,848,499
Building	155,125,702	155,125,702
Furniture, fixtures, and equipment	3,716,071	3,291,470
Construction in progress	<u>1,417,459</u>	<u>47,112</u>
Total property and equipment	166,107,731	164,312,783
Less accumulated depreciation	<u>(19,458,901)</u>	<u>(16,215,619)</u>
Property and equipment, net	<u>\$ 146,648,830</u>	<u>\$ 148,097,164</u>

Depreciation expense, including amortization of leased assets, was \$3,593,312 and \$3,521,726 for the years ended June 30, 2017 and 2016, respectively.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - NOTE RECEIVABLE

OCF has a \$43,855 note receivable from MMoCA for its share of certain equipment additions at June 30, 2017. The note bears interest at 5%, requires monthly installments of \$1,924, and matures in June 2019. Principal payments of \$21,381 and \$22,474 are to be received in 2018 and 2019, respectively.

NOTE 7 - RETIREMENT PLAN

OCF offers a defined contribution retirement plan that covers substantially all full-time employees of OCF. New employees become eligible on the first day of the month after they begin employment. OCF makes a matching contribution of up to 3% on all eligible wages. During the years ended June 30, 2017 and 2016, the company contributed \$105,156 and \$81,287 to the plan, respectively.

NOTE 8 - 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 of Madison 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 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, 2015, 2016, and 2017, OCF received grants in the amount of \$1,850,000, \$1,750,000, \$1,600,000, \$1,750,000, \$1,750,000, and \$1,900,000, respectively. The cumulative difference between grants OCF received from the City of Madison and the grants to be received per the agreement is \$2,015,584 including ERP. Per annual performance terms within the agreement, OCF also agreed to use its best efforts to accumulate a capital reserve fund of \$5,000,000 by June 30, 2017. In fiscal year 2012-13, the OCF Board of Directors designated \$700,000 and in fiscal year 2015-16 designated another \$800,000 of net assets in a "Board Designated Reserve" that could be used to meet the intent of the structural agreement. In fiscal year 2016-17, the board designated an additional \$670,000 for a total of \$2,170,000.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - STRUCTURAL AGREEMENT WITH CITY OF MADISON (continued)

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. OCF agreed to repay these liabilities over a 10 year period in equal installments (the first installment was due December 30, 2012). In June 2013, the State of Wisconsin Department of Revenue (State) concluded a state sales tax audit of the 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 of Madison paid the State of Wisconsin the amount due in full. The City of Madison then negotiated an agreement with OCF to split the liability. This agreement, dated July 21, 2014, requires OCF to reimburse the City of Madison for its half of the liability in five equal annual principal payments in the amount of \$27,297, beginning August 15, 2014 through August 15, 2018, together with interest on the outstanding principal balance. The interest rate assessed will be equal to the City of Madison'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 consolidated financial statements in June 2014.

The components of the liability include the following:

- 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 of \$177,193 at December 31, 2011. The balance due to the City of Madison as of June 30, 2017 and 2016, was \$88,596 and \$106,315, respectively.
- 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 payouts of \$36,963 at December 31, 2011. The balance due to the City of Madison as of June 30, 2017 and 2016, was \$18,481 and \$22,178, respectively.
- c. **Sales Tax Audit Liability:** OCF entered into an agreement with the City of Madison to pay 50% of the liability from the sales tax audit. The agreement was for OCF to make five annual installments of \$27,297. The balance due to the City of Madison as of June 30, 2017 and 2016, was \$54,593 and \$81,890, respectively.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - 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 alterations 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.

NOTE 10 - NOTES PAYABLE

	<u>2017</u>	<u>2016</u>
Note payable secured by a collateral pledge on a deposit account with the bank for certain theater equipment. The note has a fixed interest rate of 3.37%, is due in equal monthly payments of \$4,368 and matures in December 2020.	\$ 172,665	\$ 218,329
Note payable secured by a collateral pledge on a deposit account with the bank for certain theater equipment. The note has a fixed interest rate of 2.75%, is due in equal monthly payments of \$9,560 and matures in March 2027.	<u>978,297</u>	<u>0</u>
	1,150,962	218,329
Less current maturities	<u>(135,816)</u>	<u>(45,664)</u>
Total notes payable, net of current portion	<u>\$ 1,015,146</u>	<u>\$ 172,665</u>

Future principal payments on the notes payable are as follows:

Year ending June 30	
2018	\$ 135,816
2019	139,957
2020	144,165
2021	122,231
2022	99,003
Thereafter	<u>509,790</u>
	<u>\$ 1,150,962</u>

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - 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, 2017. There was no outstanding balance on the line of credit at June 30, 2017 or 2016.

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 of Madison.

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 effect on OCF's financial position or results of operations. Currently, no pending claims or legal proceedings exist.

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - NET ASSETS

Net assets consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Unrestricted		
General operating	\$ 1,459,545	\$ 810,673
Board Designated Reserve (Note 8)	<u>2,170,000</u>	<u>1,500,000</u>
Total unrestricted - Overture Center Foundation	3,629,545	2,310,673
Overture Development Corporation net assets	<u>143,199,382</u>	<u>146,431,167</u>
Total unrestricted	<u>146,828,927</u>	<u>148,741,840</u>
Temporarily restricted		
Program support	476,951	441,240
Endowment funds	415,571	306,747
Time restricted individual gifts	688,164	357,644
Time restricted grants and corporate sponsorships	<u>487,380</u>	<u>398,383</u>
Total temporarily restricted - Overture Center Foundation	<u>2,068,066</u>	<u>1,504,014</u>
Permanently restricted		
Overture Center Foundation	<u>1,402,750</u>	<u>888,250</u>
Total net assets	<u>\$ 150,299,743</u>	<u>\$ 151,134,104</u>

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 8, 2017, the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2017

	Overture Center Foundation	Overture Development Corporation	Consolidated Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,088,709	\$ 0	\$ 7,088,709
Accounts receivable, net	186,326	0	186,326
Unconditional promises to give, net	775,286	0	775,286
Prepaid expenses	303,820	0	303,820
Note receivable, current portion	21,381	0	21,381
Total current assets	<u>8,375,522</u>	<u>0</u>	<u>8,375,522</u>
Other assets			
Long-term unconditional promises to give, net	497,133	0	497,133
Note receivable, net of current portion	22,474	0	22,474
Beneficial interest in assets held by Madison Community Foundation	1,318,321	0	1,318,321
Cash restricted for endowment	500,000	0	500,000
Property and equipment, net	3,449,448	143,199,382	146,648,830
Total other assets	<u>5,787,376</u>	<u>143,199,382</u>	<u>148,986,758</u>
Total assets	<u>\$ 14,162,898</u>	<u>\$ 143,199,382</u>	<u>\$ 157,362,280</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 358,413	\$ 0	\$ 358,413
Accrued liabilities	733,394	0	733,394
Unearned revenue	4,658,098	0	4,658,098
Due to City of Madison, current portion	48,712	0	48,712
Notes payable, current portion	135,816	0	135,816
Total current liabilities	<u>5,934,433</u>	<u>0</u>	<u>5,934,433</u>
Long-term liabilities			
Due to City of Madison, net of current portion	112,958	0	112,958
Notes payable, net of current portion	1,015,146	0	1,015,146
Total long-term liabilities	<u>1,128,104</u>	<u>0</u>	<u>1,128,104</u>
Total liabilities	<u>7,062,537</u>	<u>0</u>	<u>7,062,537</u>
Net assets			
Unrestricted	3,629,545	143,199,382	146,828,927
Temporarily restricted	2,068,066	0	2,068,066
Permanently restricted	1,402,750	0	1,402,750
Total net assets	<u>7,100,361</u>	<u>143,199,382</u>	<u>150,299,743</u>
Total liabilities and net assets	<u>\$ 14,162,898</u>	<u>\$ 143,199,382</u>	<u>\$ 157,362,280</u>

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2016

	<u>Overture Center Foundation</u>	<u>Overture Development Corporation</u>	<u>Consolidated Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,733,069	\$ 0	\$ 7,733,069
Accounts receivable, net	178,192	0	178,192
Unconditional promises to give, net	626,881	0	626,881
Prepaid expenses	<u>291,503</u>	<u>0</u>	<u>291,503</u>
Total current assets	<u>8,829,645</u>	<u>0</u>	<u>8,829,645</u>
Other assets			
Long-term unconditional promises to give, net	299,817	0	299,817
Beneficial interest in assets held by Madison Community Foundation	1,194,997	0	1,194,997
Property and equipment, net	<u>1,665,997</u>	<u>146,431,167</u>	<u>148,097,164</u>
Total other assets	<u>3,160,811</u>	<u>146,431,167</u>	<u>149,591,978</u>
Total assets	<u>\$ 11,990,456</u>	<u>\$ 146,431,167</u>	<u>\$ 158,421,623</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 299,330	\$ 0	\$ 299,330
Accrued liabilities	728,744	0	728,744
Unearned revenue	5,830,733	0	5,830,733
Due to City of Madison, current portion	48,712	0	48,712
Notes payable, current portion	<u>45,664</u>	<u>0</u>	<u>45,664</u>
Total current liabilities	<u>6,953,183</u>	<u>0</u>	<u>6,953,183</u>
Long-term liabilities			
Due to City of Madison, net of current portion	161,671	0	161,671
Notes payable, net of current portion	<u>172,665</u>	<u>0</u>	<u>172,665</u>
Total long-term liabilities	<u>334,336</u>	<u>0</u>	<u>334,336</u>
Total liabilities	<u>7,287,519</u>	<u>0</u>	<u>7,287,519</u>
Net assets			
Unrestricted	2,310,673	146,431,167	148,741,840
Temporarily restricted	1,504,014	0	1,504,014
Permanently restricted	<u>888,250</u>	<u>0</u>	<u>888,250</u>
Total net assets	<u>4,702,937</u>	<u>146,431,167</u>	<u>151,134,104</u>
Total liabilities and net assets	<u>\$ 11,990,456</u>	<u>\$ 146,431,167</u>	<u>\$ 158,421,623</u>

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2017

	Unrestricted		Temporarily	Permanently	Consolidated
	Overture Center Foundation	Overture Development Corporation	Restricted Overture Center Foundation	Restricted Overture Center Foundation	
		Total			Total
Operations					
Operating revenue					
Ticket sales and fees	\$ 14,382,444	\$ 0	\$ 14,382,444	\$ 0	\$ 14,382,444
Facility rentals and services	2,040,550	0	2,040,550	0	2,040,550
Investment return	6,869	0	6,869	0	6,869
Other revenue	905,242	0	905,242	0	905,242
Special events	262,631	0	262,631	0	262,631
Total operating revenue	17,597,736	0	17,597,736	0	17,597,736
Operating expenses					
Production	11,777,802	0	11,777,802	0	11,777,802
Programming, performance operations, and events	1,946,392	0	1,946,392	0	1,946,392
Ticketing, marketing, and sales	1,814,192	0	1,814,192	0	1,814,192
Facilities	2,045,932	0	2,045,932	0	2,045,932
Management and general	1,830,776	0	1,830,776	0	1,830,776
Total operating expense	19,415,094	0	19,415,094	0	19,415,094
Deficit from operations	(1,817,358)	0	(1,817,358)	0	(1,817,358)
Fundraising					
Contributions	1,235,395	0	1,235,395	778,244	2,528,139
Grants and sponsorships	233,600	0	233,600	600,123	833,723
Fundraising expense	(764,550)	0	(764,550)	0	(764,550)
Net assets released from restrictions	982,040	0	982,040	(982,040)	0
Surplus from fundraising	1,686,485	0	1,686,485	396,327	2,597,312
Other Income and Expenses					
Change in value of beneficial interest in assets held by Madison Community Foundation	0	0	0	167,725	167,725
City of Madison support grant	1,825,000	0	1,825,000	0	1,825,000
Depreciation expense	(361,527)	(3,231,785)	(3,593,312)	0	(3,593,312)
Interest expense	(13,728)	0	(13,728)	0	(13,728)
Total other income and expenses	1,449,745	(3,231,785)	(1,782,040)	167,725	(1,614,315)
Change in net assets	1,318,872	(3,231,785)	(1,912,913)	564,052	(834,361)
Net assets - beginning of year	2,310,673	146,431,167	148,741,840	1,504,014	151,134,104
Net assets - end of year	\$ 3,629,545	\$ 143,199,382	\$ 146,828,927	\$ 2,068,066	\$ 150,299,743

OVERTURE CENTER FOUNDATION, INC.

Madison, Wisconsin

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2016

	Unrestricted		Temporarily	Permanently	Consolidated
	Overture Center Foundation	Overture Development Corporation	Restricted Overture Center Foundation	Restricted Overture Center Foundation	
		Total			Total
Operations					
Operating revenue					
Ticket sales and fees	\$ 15,367,081	\$ 0	\$ 15,367,081	\$ 0	\$ 15,367,081
Facility rentals and services	1,823,475	0	1,823,475	0	1,823,475
Investment return	6,761	0	6,761	0	6,761
Other revenue	904,351	0	904,351	0	904,351
Special events	277,523	0	277,523	0	277,523
	<u>18,379,191</u>	<u>0</u>	<u>18,379,191</u>	<u>0</u>	<u>18,379,191</u>
Total operating revenue					
Operating expenses					
Production	12,451,215	0	12,451,215	0	12,451,215
Programming, performance operations, and events	1,856,786	0	1,856,786	0	1,856,786
Ticketing, marketing, and sales	1,892,936	0	1,892,936	0	1,892,936
Facilities	1,994,924	0	1,994,924	0	1,994,924
Management and general	1,439,873	0	1,439,873	0	1,439,873
	<u>19,635,734</u>	<u>0</u>	<u>19,635,734</u>	<u>0</u>	<u>19,635,734</u>
Total operating expense					
Deficit from operations	<u>(1,256,543)</u>	<u>0</u>	<u>(1,256,543)</u>	<u>0</u>	<u>(1,256,543)</u>
Fundraising					
Contributions	1,369,968	0	1,369,968	332,639	1,717,607
Grants and sponsorships	212,773	0	212,773	402,195	614,968
Fundraising expense	(611,389)	0	(611,389)	0	(611,389)
Net assets released from restrictions	804,655	0	804,655	(804,655)	0
	<u>1,776,007</u>	<u>0</u>	<u>1,776,007</u>	<u>(69,821)</u>	<u>1,721,186</u>
Surplus from fundraising					
Other Income and Expenses					
Change in value of beneficial interest in assets held by Madison Community Foundation	0	0	0	(48,094)	(48,094)
City of Madison support grant	1,750,000	0	1,750,000	0	1,750,000
Depreciation expense	(289,940)	(3,231,786)	(3,521,726)	0	(3,521,726)
Interest expense	(6,821)	0	(6,821)	0	(6,821)
	<u>1,453,239</u>	<u>(3,231,786)</u>	<u>(1,778,547)</u>	<u>(48,094)</u>	<u>(1,826,641)</u>
Total other income and expenses					
Change in net assets	1,972,703	(3,231,786)	(1,259,083)	(117,915)	(1,361,998)
Net assets - beginning of year	<u>337,970</u>	<u>149,662,953</u>	<u>150,000,923</u>	<u>1,621,929</u>	<u>152,496,102</u>
Net assets - end of year	<u>\$ 2,310,673</u>	<u>\$ 146,431,167</u>	<u>\$ 148,741,840</u>	<u>\$ 1,504,014</u>	<u>\$ 151,134,104</u>