

**CHICAGO THEATRE GROUP, INC.**

Chicago, Illinois

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report  
As of and for the Years Ended  
August 31, 2014 and 2013

# CHICAGO THEATRE GROUP, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Chicago Theatre Group, Inc.  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Chicago Theatre Group, Inc. (the "Theatre"), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Theatre as of August 31, 2014 and 2013, 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.

**Other Matters**

*Report on Supplemental Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of General Functional Expenses - Annual Operations are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Baker Tilly Vichow Krause, LLP*

Chicago, Illinois  
December 10, 2014

## CHICAGO THEATRE GROUP, INC.

### STATEMENTS OF FINANCIAL POSITION August 31, 2014 and 2013

<b>ASSETS</b>		
	2014	2013
<b>Current Assets</b>		
Cash and cash equivalents	\$ 554,344	\$ 174,575
Grants, pledges and other receivables (net of allowance for uncollectible pledges of \$175,000 in 2014 and 2013)	1,830,491	2,134,831
Prepaid expenses	1,639,476	1,669,267
Total Current Assets	4,024,311	3,978,673
<b>Noncurrent Investments</b>		
	29,275,951	27,852,237
<b>Property and Equipment</b>		
Building	47,169,026	47,169,026
Equipment	9,037,307	8,392,824
Total	56,206,333	55,561,850
Less: accumulated depreciation	21,634,367	19,891,289
Net Property and Equipment	34,571,966	35,670,561
<b>Other Assets</b>		
Grants, pledges and other receivables (net of current portion and net of present value discount of \$24,052 and \$27,567 in 2014 and 2013)	2,144,081	2,260,396
Deposits	88,199	86,020
Total Other Assets	2,232,280	2,346,416
<b>TOTAL ASSETS</b>	\$ 70,104,508	\$ 69,847,887
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 776,315	\$ 593,613
Deferred subscription and admission revenue	4,605,329	4,678,755
Bonds and mortgages payable - due within one year	590,000	590,000
Total Current Liabilities	5,971,644	5,862,368
<b>Bonds and Mortgages Payable - Long-Term</b>	24,680,000	25,270,000
<b>Net Assets</b>		
Unrestricted - annual operations	2,262,645	2,229,114
Unrestricted - board designated	32,845,837	31,888,734
Temporarily restricted	4,344,382	4,597,671
Total Net Assets	39,452,864	38,715,519
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 70,104,508	\$ 69,847,887

**CHICAGO THEATRE GROUP, INC.**

STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2014

	Unrestricted		Temporarily Restricted	Total
	Annual Operations	Designated		
<b>REVENUES</b>				
Admissions				
Subscriptions	\$ 4,341,999	\$ -	\$ -	\$ 4,341,999
Individual and group ticket sales	6,261,821	-	-	6,261,821
Total admissions	10,603,820	-	-	10,603,820
Public support	5,916,606	365,369	1,808,850	8,090,825
Investment income	987,820	2,774,410	-	3,762,230
Concessions income, net of expenses of \$336,254	179,642	-	-	179,642
Royalty income	11,100	-	-	11,100
Costume and scenery sales/rentals	219,004	-	-	219,004
Tour and production income	350,000	-	-	350,000
Miscellaneous income	25,341	-	-	25,341
Total Revenues	18,293,333	3,139,779	1,808,850	23,241,962
Net Assets Released from Restrictions	1,442,378	619,761	(2,062,139)	-
Total Revenues and Net Assets Released from Restrictions	19,735,711	3,759,540	(253,289)	23,241,962
<b>EXPENSES</b>				
Program Services				
Direct Expenses				
Artistic	4,239,247	883,550	-	5,122,797
Advertising and subscription	3,584,052	-	-	3,584,052
Production	4,390,400	625,848	-	5,016,248
General artistic	1,844,191	-	-	1,844,191
General production	1,026,565	-	-	1,026,565
Total Program Services	15,084,455	1,509,398	-	16,593,853
Supporting Services				
General and administrative	2,700,827	493,785	-	3,194,612
Fundraising	1,916,898	799,254	-	2,716,152
Total Supporting Services	4,617,725	1,293,039	-	5,910,764
Total Expenses	19,702,180	2,802,437	-	22,504,617
<b>CHANGE IN NET ASSETS</b>	33,531	957,103	(253,289)	737,345
<b>NET ASSETS - BEGINNING OF YEAR</b>	2,229,114	31,888,734	4,597,671	38,715,519
<b>NET ASSETS - END OF YEAR</b>	\$ 2,262,645	\$ 32,845,837	\$ 4,344,382	\$ 39,452,864

See accompanying notes to financial statements.

**CHICAGO THEATRE GROUP, INC.**

STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2013

	Unrestricted			Temporarily Restricted	Total
	Annual Operations	Designated	Total		
<b>REVENUES</b>					
Admissions					
Subscriptions	\$ 4,539,636	\$ -	\$ 4,539,636	\$ -	\$ 4,539,636
Individual and group ticket sales	6,915,318	-	6,915,318	-	6,915,318
Total admissions	11,454,954	-	11,454,954	-	11,454,954
Public support	5,299,499	325,738	5,625,237	2,875,670	8,500,907
Investment income	513,140	1,474,013	1,987,153	-	1,987,153
Concessions income, net of expenses of \$388,909	215,974	-	215,974	-	215,974
Royalty income	3,899	-	3,899	-	3,899
Costume and scenery sales/rentals	171,942	-	171,942	-	171,942
Tour and production income	1,478,406	-	1,478,406	-	1,478,406
Miscellaneous income	22,200	-	22,200	-	22,200
Total Revenues	19,160,014	1,799,751	20,959,765	2,875,670	23,835,435
Net Assets Released from Restrictions	1,759,643	564,938	2,324,581	(2,324,581)	-
Total Revenues and Net Assets Released from Restrictions	20,919,657	2,364,689	23,284,346	551,089	23,835,435
<b>EXPENSES</b>					
Program Services					
Direct Expenses					
Artistic	4,694,268	929,174	5,623,442	-	5,623,442
Advertising and subscription	3,720,045	-	3,720,045	-	3,720,045
Production	5,391,866	658,165	6,050,031	-	6,050,031
General artistic	1,629,940	-	1,629,940	-	1,629,940
General production	1,029,293	-	1,029,293	-	1,029,293
Total Program Services	16,465,412	1,587,339	18,052,751	-	18,052,751
Supporting Services					
General and administrative	2,501,193	453,895	2,955,088	-	2,955,088
Fundraising	1,918,977	630,354	2,549,331	-	2,549,331
Total Supporting Services	4,420,170	1,084,249	5,504,419	-	5,504,419
Total Expenses	20,885,582	2,671,588	23,557,170	-	23,557,170
<b>CHANGE IN NET ASSETS</b>	34,075	(306,899)	(272,824)	551,089	278,265
<b>NET ASSETS - BEGINNING OF YEAR</b>	2,195,039	32,195,633	34,390,672	4,046,582	38,437,254
<b>NET ASSETS - END OF YEAR</b>	\$2,229,114	\$31,888,734	\$34,117,848	\$4,597,671	\$38,715,519

See accompanying notes to financial statements.

## CHICAGO THEATRE GROUP, INC.

### STATEMENTS OF CASH FLOWS For the Years Ended August 31, 2014 and 2013

	2014	2013
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 737,345	\$ 278,265
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,743,078	1,685,884
Unrealized gain on investments	(2,203,464)	(94,152)
Realized gain on investments	(1,015,520)	(1,051,149)
Change in noncash assets and liabilities		
Grants, pledges and other receivables	420,655	(1,297,877)
Prepaid expenses and deposits	27,612	(5,353)
Accounts payable and accrued expenses	182,702	(11,802)
Deferred subscription and admission revenue	(73,426)	(186,886)
Net Cash Flows from Operating Activities	(181,018)	(683,070)
<b>Cash Flows From Investing Activities</b>		
Sales of investments	15,101,694	18,713,724
Purchases of investments	(13,306,424)	(17,125,347)
Purchases of equipment	(644,483)	(451,087)
Net Cash Flows from Investing Activities	1,150,787	1,137,290
<b>Cash Flows From Financing Activities</b>		
Principal payments on bonds and mortgages payable	(590,000)	(590,000)
Net Cash Flows from Financing activities	(590,000)	(590,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	379,769	(135,780)
Cash and Cash Equivalents - Beginning of Year	174,575	310,355
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 554,344	\$ 174,575
<b>Supplemental Disclosure</b>		
Cash paid for interest	\$ 322,418	\$ 443,320

See accompanying notes to financial statements.



## CHICAGO THEATRE GROUP, INC.

### NOTES TO FINANCIAL STATEMENTS

As of and for the Year's Ended August 31, 2014 and 2013

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#### NOTE 1 – Summary of Significant Accounting Policies

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Chicago Theatre Group, Inc. (the "Theatre"), operating as the Goodman Theatre, is an Illinois not-for-profit corporation established for the purpose of promoting interest in the theatre arts in Chicago. The Theatre's annual activities include the production of five main-stage series plays, a special holiday production, three second-stage series plays other second-stage presentations, and educational and community engagement programs. The Theatre is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

##### *Basis of Accounting*

The Theatre follows current authoritative accounting guidance relating to financial statements of not-for-profit organizations. Under this guidance, the Theatre is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenue and expenses are reported on the accrual basis.

##### *Basis of Reporting*

The Theatre classifies resources for reporting purposes in the following three net asset categories according to the existence or absence of donor-imposed restrictions:

- *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions or restricted gifts whose restrictions were met during the year. Unrestricted net assets are further segregated into annual operations and designated. Annual Operations represents the undesignated operating activity of the Theatre. Designated includes funds designated by the Board of Trustees primarily for the New Goodman Theatre project (see Note 3), including funds received from the City of Chicago under a redevelopment agreement (see Note 4).
- *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed restrictions expected to be met either by Theatre actions or passage of time.
- *Permanently Restricted Net Assets* – Net assets subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. The Theatre had no permanently restricted net assets at August 31, 2014 or 2013.

##### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and highly liquid short-term investments with maturities of three months or less at the date of acquisition. The Theatre maintains deposits with financial institutions that exceed the federally insured limit of \$250,000. The Theatre believes it is not exposed to any significant credit risk on its uninsured deposits.

##### *Grants and Pledges Receivable*

Contributions, including cash and noncash assets, as well as reasonably collectible unconditional promises to give, are recognized in the year the promise is received.

Conditional promises to give, which depend on the occurrence of specified future and uncertain events to bind the promise, are recognized when the conditions on which they depend are substantially met.

**CHICAGO THEATRE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
As of and for the Year's Ended August 31, 2014 and 2013

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**NOTE 1 – Summary of Significant Accounting Policies (cont.)**

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When donor restrictions expire (i.e., when a stipulated time restriction ends or other restriction is met), the Theatre reports the change from temporarily restricted net assets to unrestricted net assets as net assets released from restrictions in the statements of activities.

The Theatre analyzes all uncollected amounts as of year-end and determines allowances as appropriate. As of August 31, 2014 and 2013, the Theatre has allowances totaling \$175,000.

*Property and Equipment*

Equipment is stated at cost and depreciated using the straight-line method over estimated useful lives ranging from three to five years. The building is being depreciated using the straight-line method over an estimated useful life of 40 years. Capitalized interest costs associated with the New Goodman Theatre Project are included in the cost of the building and are being depreciated over the estimated useful life of the building.

*Admission Revenue*

Ticket sales are recorded as admission revenue on a specific-performance basis. Subscriptions for the coming play season are shown as deferred subscription and admission revenue in the statements of financial position.

*Advertising costs*

The Theatre follows the policy of expensing advertising and marketing costs when incurred. For the years ended August 31, 2014 and 2013, advertising related costs amount to \$3,584,052 and \$3,720,045, respectively.

*Use of Estimates*

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income Tax Status*

The Internal Revenue Service has determined that the Theatre is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax; however, any unrelated business income may be subject to taxation.

The Theatre follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Theatre for uncertain tax positions as of August 31, 2014 and 2013. The Theatre's tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2011 and thereafter are open to examination by federal and state authorities.

**CHICAGO THEATRE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
As of and for the Year's Ended August 31, 2014 and 2013

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**NOTE 2 – Fair Value Measurements**

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*Fair Value Hierarchy*

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

*Valuation Techniques and Inputs*

Level 1 assets include investments in fixed income and equity funds that are based on quoted market prices. There have been no changes in the techniques and inputs used as of August 31, 2014 and 2013.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the Theatre believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**CHICAGO THEATRE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Year's Ended August 31, 2014 and 2013

**NOTE 2 – Fair Value Measurements (cont.)**

The following table presents information about the Theatre's assets measured at fair value on a recurring basis as of August 31, 2014 based upon the three-tier hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Fixed income funds				
U.S. fixed income	\$ 8,352,237	\$ 8,352,237	\$ -	\$ -
Non U.S. fixed income	3,943,505	3,943,505	-	-
Equity funds				
U.S. equity	10,594,809	10,594,809	-	-
Non U.S. equity	6,284,715	6,284,715	-	-
Money market funds	<u>100,685</u>	<u>100,685</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 29,275,951</u></b>	<b><u>\$ 29,275,951</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

The following table presents information about the Theatre's assets measured at fair value on a recurring basis as of August 31, 2013 based upon the three-tier hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Fixed income funds				
U.S. fixed income	\$ 8,431,241	\$ 8,431,241	\$ -	\$ -
Non U.S. fixed income	2,616,476	2,616,476	-	-
Equity funds				
U.S. equity	10,378,436	10,378,436	-	-
Non U.S. equity	6,350,961	6,350,961	-	-
Money market funds	<u>75,123</u>	<u>75,123</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 27,852,237</u></b>	<b><u>\$ 27,852,237</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**CHICAGO THEATRE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
As of and for the Year's Ended August 31, 2014 and 2013

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**NOTE 3 – Grants, Pledges and Other Receivables**

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Grants, pledges and other receivables, net of allowance for uncollectible, at August 31 consist of the following:

	<u>2014</u>	<u>2013</u>
Grants and pledges:		
Campaign for the Goodman Endowment	\$ 2,500,249	\$ 2,879,660
Individuals	490,786	567,778
Government	59,950	90,000
Foundations	535,593	483,750
Corporations	470,738	273,000
	<u>4,057,316</u>	<u>4,294,188</u>
Gross grants and pledges		
Less: Unamortized discount	(24,052)	(27,567)
Allowance for uncollectible pledges	(175,000)	(175,000)
Other receivables	116,308	303,606
	<u>3,974,572</u>	<u>4,395,227</u>
Total Receivables		
Less current portion	1,830,491	2,134,831
	<u>\$ 2,144,081</u>	<u>\$ 2,260,396</u>
Noncurrent portion		

The current portion of the above is due in less than one year. The noncurrent portion is all due within one to five years with the exception of \$1,200,000, which is due over five years.

The Campaign for the Goodman Endowment was established as a fund-raising effort to create an operating reserve. These amounts are not restricted and can be designated for use by the board as appropriate. As such, they are not considered permanently restricted.

Contributions receivable have been discounted using a rate ranging from 1.6% to 0.5%. Amortization of the discount is reported as a contribution in the statement of activities. Contributions receivable at August 31, 2014 and 2013, from related parties, which represents donations made by board members, were \$1,971,633 and \$2,351,284, respectively.

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**NOTE 4 – Noncurrent Investments**

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Noncurrent investments are stated at fair market value and consist of the following at August 31:

	<u>2014</u>	<u>2013</u>
Fixed income funds	\$ 12,295,742	\$ 11,047,717
Equity funds	16,879,524	16,729,397
Money market funds	100,685	75,123
	<u>\$ 29,275,951</u>	<u>\$ 27,852,237</u>
Total		

**CHICAGO THEATRE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Year's Ended August 31, 2014 and 2013

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**NOTE 4 – Noncurrent Investments (cont.)**

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The components of investment income and gains/losses on investments for the years ended August 31 are as follows:

	2014	2013
Unrestricted		
Interest and dividends	\$ 543,246	\$ 841,852
Realized gains	1,015,520	1,051,149
Unrealized gains	2,203,464	94,152
	<hr/>	<hr/>
Total	\$ 3,762,230	\$ 1,987,153
	<hr/>	<hr/>

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of \$935,000 and \$460,000 for 2014 and 2013, respectively. For fiscal year 2014 and 2013, the distribution represents 3.28% and 1.68% of a three year rolling average of the investment market value.

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**NOTE 5 – Bonds/Mortgage Payable**

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On January 1, 1999, the Illinois Development Finance Authority issued on behalf of the Theatre \$24.1 million of Adjustable Rate Demand Revenue Bonds, Series 1999 (Goodman Theatre Project) (the "Bonds"), due December 1, 2033. Interest during the construction period and expenses of \$1,754,909 incurred in connection with the offering are included in property as of August 31, 2014 and 2013, and are being amortized on a straight-line basis over the life of the building.

The Bonds are secured by irrevocable transferable direct-pay letters of credit issued by JP Morgan Chase and The Northern Trust Company. The Theatre retired \$400,000 of these bonds in 2014. The remaining balance of the Amalgamated Bonds of \$22,800,000 will be due through December of 2033 according to a payment schedule outlined by the Theatre's letter of credit. As of August 31, 2014, the payment schedule had determined that \$400,000 is payable within one year and is considered current. The remaining \$22,400,000 is considered long-term.

The Bonds have adjustable methods of interest rate determination, demand features, and interest payment dates. The Bonds are currently in a floating rate mode, with interest being reset on a weekly basis. At August 31, 2014 and 2013, the Bonds bore interest rates of 0.02% and 0.09%, respectively. Upon written notification, the Theatre can make an irrevocable election to convert the Bonds to a fixed rate.

During 2007, the Theatre entered into an agreement with the Illinois Finance Authority and JP Morgan Chase Bank for a \$3,800,000 tax-exempt mortgage to finance the purchase and renovation of a new scene shop at 363 West Pershing, Chicago, Illinois. The Theatre retired \$190,000 of this mortgage in 2014. The balance outstanding of the mortgage as of August 31, 2014 was \$2,470,000 with \$190,000 considered due within one-year. The tax-exempt mortgage converted to a variable rate of 2.47% during 2014.

**CHICAGO THEATRE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
As of and for the Year's Ended August 31, 2014 and 2013

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**NOTE 5 – Bonds/Mortgage Payable (cont.)**

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Future maturities of the bond and mortgage payable under the current payment schedules are as follows:

2015	\$	590,000
2016		190,000
2017		190,000
2018		190,000
2019		190,000
Thereafter		<u>23,920,000</u>
<b>Total</b>	<b>\$</b>	<b><u>25,270,000</u></b>

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**NOTE 6 – Net Assets**

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Temporarily restricted net assets held as of August 31, 2014 are restricted for timing purposes and available for release to unrestricted net assets upon receipt of the respective pledge. All amounts released from temporarily restricted net assets to unrestricted net assets during 2014 were due to timing restrictions expiring. Temporarily restricted net assets as of August 31, 2014 and 2013, amount to \$4,344,382 and \$4,597,671, respectively.

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**NOTE 7 – Retirement Plans**

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*Multi-employer Pension Plans*

The Theater participates in union-sponsored multi-employer pension plans covering certain actors and stage managers, designers, musicians and directors. Contributions to these plans totaled \$208,191 and \$186,732, for the years ended August 31, 2014 and 2013, respectively. Each of these plans requires contributions calculated as a percentage of gross wages of covered employees, at a weighted average of 10.54% of payroll for each year. The Theater's contributions and pension benefits payable under the plans and the administration of the plans are determined by the terms of the related collective-bargaining agreements. The multi-employer plans pose different risks to the Theater than single-employer plans in the following respects:

1. The Theater's contributions to the multi-employer plan may be used to provide benefits to all participating employees of the program, including those employed by other employers.
2. If a participating employer fails to make its required contributions, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If an employer chooses to stop participating in a multiemployer plan, the withdrawing company may be required to pay to the plan a final payment (the withdrawal liability).

**CHICAGO THEATRE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS**

As of and for the Year's Ended August 31, 2014 and 2013

**NOTE 7 – Retirement Plans (cont.)**

As illustrated in the table below, the Theater participated in the following multi-employer plans for the year ended August 30, 2014. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2013 and 2012 is for the plan's year-end. Based on an actuary's certified information, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions		Expiration Date of Collective-Bargaining Agreement
		2013	2012		2014	2013	
Equity League	13-6696817/001	Green	Green	No	\$ 104,800	\$ 115,344	2/12/2017
American Federation of Musicians	51-6120204/001	Green	Green	Yes	29,761	44,274	4/30/2017
United Scenic Artists	13-1982707/001	Green	Green	No	40,576	36,769	6/30/2017
SDC-League	13-6634482/001	Yellow	Yellow	Yes	11,595	11,804	4/14/2017
Total Contributions					<u>\$ 186,732</u>	<u>\$ 208,191</u>	

**Defined Contribution 401(k) Plan**

During 1999, the Board of Trustees approved the creation of the Theatre's 401(k) Plan (the "Plan"), a defined contribution plan. Employees voluntarily make contributions to the Plan in amounts based upon limits established by Sections 402(g) and 414(v) of the Internal Revenue Code. The Plan's assets are invested in certain self-directed income, money market and equity funds.

The Board of Trustees approved a 1% employer contribution of \$68,149 for the year ended August 31, 2014 and a 1% employer contribution of \$70,614 for 2013.

**NOTE 8 – Subsequent Events**

The Theatre has evaluated subsequent events through December 10, 2014 which is the date that the financial statements were issued.



**SUPPLEMENTAL INFORMATION**

CHICAGO THEATRE GROUP, INC.

SCHEDULES OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS  
For the Year Ended August 31, 2014 with Comparative Totals for 2013

	Program Services					Supporting Services			Total 2014 Expenses	Total 2013 Expenses			
	Direct Expenses			General Artistic	General Production	Total Program Services	General and Administration	Fundraising			Total Supporting Expenses		
	Artistic	Advertising and Subscription	Production										
Salaries, payroll taxes													
employee benefits	\$ 2,495,676	\$ 1,461,947	\$ 3,042,438	\$ 1,228,313	\$ 884,227	\$ 9,112,601	\$ 2,014,269	\$ 1,100,792	\$ 3,115,061	\$ 12,227,662	62.1 %	\$ 12,644,284	60.5 %
Advertising		1,724,784				1,724,784			-	1,724,784	8.8	1,692,681	8.1
Royalties	510,851					510,851			-	510,851	2.6	323,857	1.6
Fees and expenses	775,130			454,391		1,229,521	82,925		82,925	1,312,446	6.7	1,425,999	6.8
Costumes			201,916			201,916			-	201,916	1.0	302,276	1.4
Electrical equipment			63,321			63,321			-	63,321	0.3	120,275	0.6
Props and scenery			680,456			680,456			-	680,456	3.5	1,059,466	5.1
Travel, housing and entertainment	233,848	17,298	45,333	54,300	14,599	365,378	163,458	19,497	182,955	548,333	2.8	661,770	2.8
Insurance						-	134,708		134,708	134,708	0.7	101,226	0.5
Repairs and maintenance	16,024		65,468		7,088	88,580	7,012	1,001	8,013	96,593	0.5	200,752	1.0
Supplies and non-depreciable equipment	58,401	219,291	40,410	79,312	56,903	454,317	149,780	64,750	214,530	668,847	3.4	1,032,531	4.9
Postage		95,860		611	310	96,781	14,699	59,106	73,805	170,586	0.9	122,930	0.6
Rental					19,673	19,673	12,500		12,500	32,173	0.2	25,873	0.1
Depreciation and amortization	573	47,534	49,008	7,915	43,765	148,795	66,604	34,134	100,738	249,533	1.3	222,820	1.1
Phone campaign						-		33,038	33,038	33,038	0.2	52,207	0.2
Benefit and other event expense						-		351,047	351,047	351,047	1.8	360,751	1.7
Utilities	140,906		186,584			327,490	44,033	8,807	52,840	380,330	1.9	307,483	1.5
Security	2,174		1,540			3,714	680	138	818	4,532	0.0	5,154	0.0
Miscellaneous	5,664	17,338	13,926	19,349		56,277	10,159	244,588	254,747	311,024	1.6	223,247	1.1
<b>Total</b>	<b>\$ 4,239,247</b>	<b>\$ 3,584,052</b>	<b>\$ 4,390,400</b>	<b>\$ 1,844,191</b>	<b>\$ 1,026,565</b>	<b>\$ 15,084,455</b>	<b>\$ 2,700,827</b>	<b>\$ 1,916,898</b>	<b>\$ 4,617,725</b>	<b>\$ 19,702,180</b>	<b>100.0 %</b>	<b>\$ 20,885,582</b>	<b>100.0 %</b>
	21.4%	18.2%	22.3%	9.4%	5.2%	76.5%	13.8%	9.7%	23.5%	100.0%			
<b>2013 Total</b>	<b>\$ 4,694,268</b>	<b>\$ 3,720,045</b>	<b>\$ 5,391,866</b>	<b>\$ 1,629,940</b>	<b>\$ 1,029,293</b>	<b>\$ 16,465,412</b>	<b>\$ 2,501,193</b>	<b>\$ 1,918,977</b>	<b>\$ 4,420,170</b>	<b>\$ 20,885,582</b>			
	22.5%	17.8%	25.8%	7.8%	4.9%	78.8%	12.0%	9.2%	21.2%	100.0%			

CHICAGO THEATRE GROUP, INC.

SCHEDULES OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS  
For the Year Ended August 31, 2013

	Program Services					Supporting Services			Total 2013 Expenses		
	Direct Expenses			General Artistic	General Production	Total Program Services	General and Administration	Fundraising			Total Supporting Expenses
	Artistic	Subscription	Production								
Salaries, payroll taxes employee benefits	\$ 2,831,938	\$ 1,453,232	\$ 3,544,471	\$ 1,060,156	\$ 872,101	\$ 9,761,898	\$ 1,857,418	\$ 1,024,968	\$ 2,882,386	\$ 12,644,284	60.5 %
Advertising	-	1,692,681	-	-	-	1,692,681	-	-	-	1,692,681	8.1
Royalties	323,857	-	-	-	-	323,857	-	-	-	323,857	1.6
Fees and expenses	796,900	-	-	443,369	-	1,240,269	185,730	-	185,730	1,425,999	6.8
Costumes	-	-	302,276	-	-	302,276	-	-	-	302,276	1.4
Electrical equipment	-	-	120,275	-	-	120,275	-	-	-	120,275	0.6
Props and scenery	-	-	1,059,466	-	-	1,059,466	-	-	-	1,059,466	5.1
Travel, housing and entertainment	438,770	9,683	33,961	62,492	16,127	561,033	88,975	11,762	100,737	661,770	2.8
Insurance	-	-	-	-	-	-	101,226	-	101,226	101,226	0.5
Repairs and maintenance	55,458	-	104,898	-	19,599	179,955	17,331	3,466	20,797	200,752	1.0
Supplies and non-depreciable equipment	113,138	384,750	25,417	60,730	60,963	644,998	137,699	249,834	387,533	1,032,531	4.9
Postage	-	109,627	-	1,251	364	111,242	11,688	-	11,688	122,930	0.6
Rental	-	-	-	-	25,873	25,873	-	-	-	25,873	0.1
Depreciation and amortization	573	56,809	33,566	1,942	34,266	127,156	62,415	33,249	95,664	222,820	1.1
Phone campaign	-	-	-	-	-	-	-	52,207	52,207	52,207	0.2
Benefit and other event expense	-	-	-	-	-	-	-	360,751	360,751	360,751	1.7
Utilities	121,403	-	140,554	-	-	261,957	37,938	7,588	45,526	307,483	1.5
Security	2,475	-	1,751	-	-	4,226	773	155	928	5,154	0.0
Miscellaneous	9,756	13,263	25,231	-	-	48,250	0	174,997	174,997	223,247	1.1
<b>Total</b>	<b>\$ 4,694,268</b>	<b>\$ 3,720,045</b>	<b>\$ 5,391,866</b>	<b>\$ 1,629,940</b>	<b>\$ 1,029,293</b>	<b>\$ 16,465,412</b>	<b>\$ 2,501,193</b>	<b>\$ 1,918,977</b>	<b>\$ 4,420,170</b>	<b>\$ 20,885,582</b>	<b>100.0 %</b>
	22.5%	17.8%	25.8%	7.8%	4.9%	78.8%	12.0%	9.2%	21.2%	100.0%	