

CHICAGO THEATRE GROUP, INC.
Chicago, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

August 31, 2010 and 2009

CHICAGO THEATRE GROUP, INC.

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Independent Auditors' Report

To the Board of Trustees of
Chicago Theatre Group, Inc.

We have audited the accompanying statements of financial position of Chicago Theatre Group, Inc. ("CTG") as of August 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of CTG's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Theatre Group, Inc. as of August 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of General Functional Expenses – Annual Operations for the years ended August 31, 2010 and 2009 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements for the years ended August 31, 2010 and 2009, taken as a whole.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
December 8, 2010

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 190,300	\$ 671,333
Grants, pledges and other receivables (net of allowance for uncollectible pledges of \$250,000 in 2010 and \$350,000 in 2009)	2,182,801	1,718,648
Prepaid expenses	<u>1,839,165</u>	<u>1,542,224</u>
Total Current Assets	<u>4,212,266</u>	<u>3,932,205</u>
Noncurrent Investments (Note 5)	<u>25,281,558</u>	<u>26,050,166</u>
Property and Equipment		
Building	47,012,030	47,012,030
Equipment	<u>6,869,361</u>	<u>6,214,749</u>
Total	53,881,391	53,226,779
Less accumulated depreciation and amortization	<u>15,126,256</u>	<u>13,528,394</u>
Net Property and Equipment	<u>38,755,135</u>	<u>39,698,385</u>
Other Assets		
Grants, pledges and other receivables	1,159,792	1,372,467
Deposits	<u>75,171</u>	<u>83,500</u>
Total Other Assets	<u>1,234,963</u>	<u>1,455,967</u>
TOTAL ASSETS	<u>\$ 69,483,922</u>	<u>\$ 71,136,723</u>

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 718,339	\$ 656,388
Deferred subscription and admission revenue	4,162,840	4,463,431
Bonds payable - due within one year (Note 6)	<u>390,000</u>	<u>190,000</u>
Total Current Liabilities	<u>5,271,179</u>	<u>5,309,819</u>
Bonds Payable - due after one year (Note 6)	<u>26,940,000</u>	<u>27,330,000</u>
Net Assets		
Unrestricted	33,841,792	34,464,886
Temporarily restricted	<u>3,430,951</u>	<u>4,032,018</u>
Total Net Assets	<u>37,272,743</u>	<u>38,496,904</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 69,483,922</u>	<u>\$ 71,136,723</u>

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended August 31, 2010

	Unrestricted			
	Annual Operations	Designated	Total	Total
Revenues				
Admissions				
Subscriptions	\$ 4,203,964	\$ -	\$ 4,203,964	\$ -
Individual and group ticket sales	4,456,753	-	4,456,753	-
	8,660,717	-	8,660,717	-
Public support	4,751,028	179,894	4,930,922	-
Investment earnings/(loss) (Note 5)	986,248	705,525	1,691,773	1,479,500
Concessions income, net of expenses of \$239,189	121,175	-	121,175	-
Royalty income	48,936	-	48,936	-
Costume and scenery sales/rentals	184,690	-	184,690	-
Miscellaneous income	104,570	-	104,570	-
	14,857,364	885,419	15,742,783	1,479,500
Total Revenues				
	1,431,116	649,451	2,080,567	(2,080,567)
Net Assets Released from Restrictions				
	16,288,480	1,534,870	17,823,350	(601,067)
Total Revenues and Net Assets Released from Restrictions				
				17,222,283

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended August 31, 2010

Expenses					
Program Services					
Direct Expenses					
Artistic	3,204,206	899,649	4,103,855	-	4,103,855
Advertising and subscription	3,143,396	-	3,143,396	-	3,143,396
Production	3,588,519	637,252	4,225,771	-	4,225,771
General artistic	1,382,158	-	1,382,158	-	1,382,158
General production	956,529	-	956,529	-	956,529
Total Program Services	12,274,808	1,536,901	13,811,709	-	13,811,709
Supporting Services					
General and administrative	2,253,758	374,195	2,627,953	-	2,627,953
Fundraising	1,747,760	259,022	2,006,782	-	2,006,782
Total Supporting Services	4,001,518	633,217	4,634,735	-	4,634,735
Total Expenses	16,276,326	2,170,118	18,446,444	-	18,446,444
Change in Net Assets	12,154	(635,248)	(623,094)	(601,067)	(1,224,161)
Net Assets, Beginning of Year	1,053,361	33,411,525	34,464,886	4,032,018	38,496,904
Net Assets, End of Year	\$ 1,065,515	\$ 32,776,277	\$ 33,841,792	\$ 3,430,951	\$ 37,272,743

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF ACTIVITIES
For the Year Ended August 31, 2009

	Unrestricted			
	Annual Operations	Designated	Total	Total
				Temporarily Restricted
				Permanently Restricted
				Total
Revenues				
Admissions				
Subscriptions	\$ 4,435,167	\$ -	\$ 4,435,167	\$ -
Individual and group ticket sales	5,037,883	-	5,037,883	-
	9,473,050	-	9,473,050	-
Public support	4,890,687	637,369	5,528,056	1,898,660
Investment earnings/(loss) (Note 5)	2,000,866	(6,639,529)	(4,638,663)	-
Concessions income, net of expenses of \$233,980	142,509	-	142,509	-
Royalty income	22,761	-	22,761	-
Costume and scenery sales/rentals	115,681	-	115,681	-
Tour and Production Income	2,494,131	-	2,494,131	-
Miscellaneous income	26,217	-	26,217	-
	19,165,902	(6,002,160)	13,163,742	1,898,660
Total Revenues				
Net Assets Released from Restrictions	1,146,350	4,882,385	6,028,735	(5,085,072)
	20,312,252	(1,119,775)	19,192,477	(3,186,412)
Total Revenues and Net Assets Released from Restrictions				
				(943,663)
				(943,663)
				15,062,402
				15,062,402

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF ACTIVITIES
For the Year Ended August 31, 2009

Expenses							
Program Services							
Direct Expenses							
Artistic	4,962,642	911,463	5,874,105	-	-	5,874,105	
Advertising and subscription	3,394,011	-	3,394,011	-	-	3,394,011	
Production	5,487,707	645,619	6,133,326	-	-	6,133,326	
General artistic	1,383,796	-	1,383,796	-	-	1,383,796	
General production	932,519	-	932,519	-	-	932,519	
Total Program Services	16,160,675	1,557,082	17,717,757	-	-	17,717,757	
Supporting Services							
General and administrative	2,541,321	352,649	2,893,970	-	-	2,893,970	
Fundraising	1,856,709	338,854	2,195,563	-	-	2,195,563	
Total Supporting Services	4,398,030	691,503	5,089,533	-	-	5,089,533	
Total Expenses	20,558,705	2,248,585	22,807,290	-	-	22,807,290	
Change in Net Assets	(246,453)	(3,368,360)	(3,614,813)	(3,186,412)	(943,663)	(7,744,888)	
Net Assets, Beginning of Year	1,299,814	36,779,885	38,079,699	7,218,430	943,663	46,241,792	
Net Assets, End of Year	\$ 1,053,361	\$ 33,411,525	\$ 34,464,886	\$ 4,032,018	\$ -	\$ 38,496,904	

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF CASH FLOW
For the Years Ended August 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ (1,224,161)	\$ (7,744,888)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	1,597,862	1,638,972
Unrealized loss on investments	598,351	3,641,031
Realized loss/(gain) on investments	(1,514,154)	1,740,219
Change in noncash assets and liabilities		
Grants, pledges and other receivables	(251,478)	(533,395)
Prepaid expenses and other assets	(288,612)	571,083
Accounts payable and accrued expenses	61,951	(537,121)
Deferred subscription and admission revenue	(300,591)	(102,970)
Net Cash Flows from Operating Activities	(1,320,832)	(1,327,069)
 Cash Flows From Investing Activities		
Sales of investments	36,383,309	10,418,884
Purchases of investments	(34,698,898)	(9,409,200)
Purchases of equipment	(654,612)	(239,629)
Net Cash Flows from Investing Activities	1,029,799	770,055
 Cash Flows From Financing Activities:		
Principal payments of bonds	(190,000)	(190,000)
Net Cash Flows from Financing Activities	(190,000)	(190,000)
Net Decrease in Cash and Cash Equivalents	(481,033)	(747,014)
Cash and Cash Equivalents, Beginning of Year	671,333	1,418,347
Cash and Cash Equivalents, End of Year	\$ 190,300	\$ 671,333
 Supplemental Disclosure		
Interest payments on bonds payable	\$ 67,876	\$ 263,287

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS August 31, 2010 and 2009

NOTE 1 – Nature of Operations

Chicago Theatre Group, Inc. ("CTG"), operating as the Goodman Theatre (the "Theatre"), is an Illinois not-for-profit corporation established for the purpose of promoting interest in the theatre arts in Chicago. CTG's annual activities include the production of five main-stage series plays, a special holiday production, three second-stage series plays and other second-stage presentations.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

CTG follows current authoritative accounting guidance relating to financial statements of not-for-profit organizations. Under this guidance, CTG 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, 2010 or 2009.

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 cash balances that exceed the federally insured limit of \$250,000. The Theatre has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS August 31, 2010 and 2009

NOTE 2 – Summary of Significant Accounting Policies (cont.)

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.

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.

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 (see Note 3) are being amortized on a straight-line basis over the estimated useful life of the building.

Fair Value

The Theatre's short-term financial instruments consist of the following: cash and cash equivalents; grants, pledges and other receivables; prepaid expenses; accounts payable and accrued expenses; and, deferred subscription and admission revenue. The carrying values of these short-term financial instruments approximate their estimated fair values based on the instruments' short-term nature.

The fair value of the Theatre's investments is based on quoted market prices. For the fiscal year ended August 31, 2010, there have been no changes in the application of valuation methods applied to similar assets and liabilities.

As defined in current authoritative accounting guidance related to fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Theatre uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be readily observable, market corroborated, or generally unobservable inputs.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS August 31, 2010 and 2009

NOTE 2 – Summary of Significant Accounting Policies (cont.)

Whenever possible, the Theatre attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the ability to observe the inputs used in the valuation methods, the Theatre is required to provide the following information according to the fair value hierarchy. The fair value ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

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

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

All of the Theatre's assets and liabilities measured at fair value on a recurring basis are classified as follows:

As of August 31, 2010:	Total	Level 1	Level 2	Level 3
ASSETS				
Investments				
Fixed income funds	\$ 12,977,821	\$ 12,977,821	\$ -	\$ -
Equity funds	12,055,161	12,055,161		
Cash equivalents	248,575	248,575	-	-
Total	\$ 25,281,558	\$ 25,281,558	\$ -	\$ -
As of August 31, 2009:	Total	Level 1	Level 2	Level 3
ASSETS				
Investments				
Fixed income funds	\$ 21,305,535	\$ 21,305,535	\$ -	\$ -
Hedge funds	4,744,631	-	4,744,631	-
Total	\$ 26,050,166	\$ 21,305,535	\$ 4,744,631	\$ -

Investments in fixed income and equity funds are based on quoted market prices. Investments in the hedge funds are classified as level 2 as the fair value is based on multiple sources of information, which may include market data and/or market prices from either markets that are not active or are for the same or similar assets in active markets.

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 August 31, 2010 and 2009

NOTE 2 – Summary of Significant Accounting Policies (cont.)

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.

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.

In accordance with the accounting standard on *Accounting for Uncertainty in Income Taxes*, the Theatre addresses the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, the Theatre may recognize a tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merit of the position. Examples of tax positions include the tax-exempt status of the Theatre and various positions related to the potential sources of unrelated business taxable income. There were no significant unrecognized tax benefits identified or recorded as liabilities during fiscal year 2010. Open tax years subject to examination by the U.S. and state taxing authorities are for the years 2007 to 2009, which statutes expire in 2010 to 2012, respectively.

NOTE 3 – The New Goodman Theatre Project

In 1993, pursuant to an agreement with the City of Chicago ("City"), the Theatre's Board of Trustees established a capital resource campaign entitled "The Campaign for the New Goodman" to determine the feasibility of redeveloping the Selwyn-Harris Theatres and adjacent properties in Chicago ("New Goodman Theatre"). Beginning in 1994, costs associated with this endeavor were capitalized as part of the planned development of the New Goodman Theatre Project (see Note 4). These costs are being amortized over the estimated useful life of the New Goodman Theatre from the date placed in service in fiscal year 2001. Fundraising costs associated with this campaign were charged to expense as incurred.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS August 31, 2010 and 2009

NOTE 4 – Grants, Pledges and Other Receivables

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

	<u>2010</u>	<u>2009</u>
Grants and pledges:		
Campaign for the New Goodman Theatre	\$ -	\$ 23,000
Campaign for the Goodman Endowment	1,728,178	1,667,086
Individuals	206,545	114,278
Government	520,000	-
Foundations	358,750	613,750
Corporations	<u>95,745</u>	<u>232,500</u>
	2,909,218	2,650,614
Other receivables	<u>433,375</u>	<u>440,501</u>
Total Receivables	3,342,593	3,091,115
Less current portion	<u>2,182,801</u>	<u>1,718,648</u>
Noncurrent portion	<u>\$ 1,159,792</u>	<u>\$ 1,372,467</u>

The current portion of the above is due in less than one year. The noncurrent portion is all due within one to five years.

In prior years CTG received from the City \$18.5 million under one of the City's redevelopment projects using tax increment financing funds. Under the agreement with the City, CTG will utilize these funds to pay for a portion of the New Goodman Theatre Project (see Note 3). CTG is not required to make principal or interest payments on these funds provided it maintains the facility for use in the performing arts (as defined in the agreement). No funds were received from the City for the fiscal years 2010 and 2009.

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.

The Theatre analyzes all uncollected amounts as of year-end and determines allowances as appropriate. As of August 31, 2010, the Theatre has reserved \$250,000 for remaining uncollected grants and pledges totaling, all of which is temporarily restricted.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS August 31, 2010 and 2009

NOTE 5 – Noncurrent Investments

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

	<u>2010</u>	<u>2009</u>
Fixed income funds	\$ 12,977,822	\$ 21,305,535
Equity funds	12,055,161	-
Cash and cash equivalents	248,575	-
Hedge funds	-	4,744,631
	<u> </u>	<u> </u>
Total	<u>\$ 25,281,558</u>	<u>\$ 26,050,166</u>

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

	<u>2010</u>	<u>2009</u>
Unrestricted		
Interest and dividends	\$ 775,970	\$ 742,587
Realized gains (losses)	1,514,154	(1,740,219)
Unrealized gains (losses)	(598,351)	(3,641,031)
	<u> </u>	<u> </u>
Total	<u>\$ 1,691,773</u>	<u>\$ (4,638,663)</u>

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of \$921,207 and \$1,923,426 for 2010 and 2009, respectively. The distribution represents a 3.25% for 2010 and a 6.00% for 2009 of a three year rolling average of the investment market value.

NOTE 6 – Bonds Payable

The construction costs for the New Goodman Theatre were financed through a bond issuance in addition to tax increment financing funds from the City (see Note 3). On January 1, 1999, the Illinois Development Finance Authority issued on behalf of CTG \$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, 2010 and 2009, and are being amortized on a straight-line basis over the life of the building.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS August 31, 2010 and 2009

NOTE 6 – Bonds Payable (cont.)

The bonds, prior to conversion to a fixed rate of interest, are secured by an irrevocable transferable direct-pay letter of credit issued by JP Morgan Chase and The Northern Trust Company. The terms of that agreement require payments over the next three years as follows:

2011	\$ 200,000
2012	300,000
2013	<u>400,000</u>
Total	<u><u>\$ 900,000</u></u>

The remaining \$23,200,000 will be due according to a payment schedule that will be determined upon renewal of the Theatre's letter of credit after 2013.

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. On August 31, 2010 and 2009, the Bonds bore interest rates of 0.27% and 0.34%, respectively. Upon written notification, CTG can make an irrevocable election to convert the Bonds to a fixed rate.

During 2007, CTG entered into an agreement with the Illinois Finance Authority and JP Morgan Chase Bank for a \$3,800,000 tax-exempt bond issue/mortgage to finance the purchase and renovation of a new scene shop at 363 West Pershing, Chicago, Illinois. The tax-exempt bond/mortgage bore an interest rate of 4.71%. Future maturities of the mortgage are as follows:

2011	\$ 190,000
2012	190,000
2013	190,000
2014	190,000
2015	190,000
Thereafter	<u>2,280,000</u>
Total	<u><u>\$ 3,230,000</u></u>

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS August 31, 2010 and 2009

NOTE 7 – Net Assets Released from Restrictions

Temporarily restricted net assets held as of August 31, 2010 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 2010 were due to timing restrictions expiring.

During 2009, a foundation released its temporary restriction on a grant made in prior years. This resulted in \$3,473,136 being reclassified from temporarily restricted to unrestricted net assets. The remaining \$1,611,936 released from temporarily restricted to unrestricted net assets in 2009 was due to timing restrictions expiring.

For the year ended August 31, 2009, the National Endowment for the Arts removed the requirement for a cash reserve fund, which had been designated as permanently restricted. This result in \$943,663 being transferred from permanently restricted to unrestricted net assets. The Theatre has no permanently restricted net assets as of August 31, 2010.

NOTE 8 – 401(K) Plan

During 1999, the Board of Trustees approved the creation of CTG'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 no discretionary employer contribution for the years ended August 31, 2010 and 2009, respectively.

NOTE 9 – Subsequent Events

The Theatre has evaluated subsequent events through December 8, 2010, which is the date that the financial statements were issued.

Supplementary Information

CHICAGO THEATRE GROUP, INC.

SCHEDULES OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Years Ended August 31, 2010 and 2009

	Direct Expenses				Program Services				Supporting Services				Total 2009 Expenses
	Artistic	Subscription and Advertising	Production	General Artistic	General Production	Total Program Services	General and Administration	Fundraising	Total Supporting Expenses	Total 2010 Expenses	%		
Salaries, payroll taxes	1,759,918	1,042,585	2,415,830	900,125	827,295	\$ 6,945,753	\$ 1,643,596	\$ 851,595	\$ 2,495,191	\$ 9,440,944	57.9 %	\$ 11,153,016	54.4 %
employee benefits		1,638,533				1,638,533				1,638,533	10.1	1,979,725	9.6
Advertising	438,788					438,788				438,788	2.7	403,807	2.0
Royalties	469,277		25	355,064		824,366	196,925	33,000	229,925	1,054,291	6.5	1,470,355	7.2
Fees and expenses			167,360			167,360				167,360	1.0	459,977	2.2
Costumes			34,492			34,492				34,492	0.2	130,896	0.6
Electrical equipment			440,984			440,984				440,984	2.7	1,258,365	6.1
Props and scenery			28,561	41,363	5,483	368,974	38,300	3,702	42,002	410,976	2.5	821,808	4.0
Travel, housing and entertainment	288,222	5,365					83,836		83,836	83,836	0.5	78,312	0.4
Insurance	38,683		74,977			113,660	12,088	2,419	14,507	128,167	0.8	147,530	0.7
Repairs and maintenance	44,560	47,706	17,724	61,314	39,469	210,773	86,905	22,420	109,325	320,098	2.0	596,934	2.9
Supplies and non-depreciable equipment		93,258		3,138	221	96,617	13,895	37,149	51,044	147,661	0.9	151,716	0.7
Postage					42,996	42,996				42,996	0.3	29,812	0.1
Rental	1,671	16,627	204,569	6,835	32,382	262,084	56,979	23,971	80,950	343,034	2.1	382,393	1.9
Depreciation and amortization		283,322				283,322		120,953	120,953	404,275	2.5	169,370	0.8
Phone campaign								530,509	530,509	530,509	3.3	511,493	2.5
Benefit and other event expense	156,562		185,162			341,724	48,926	9,785	58,711	400,435	2.5	477,643	2.3
Utilities	3,104					3,104	970	194	1,164	4,268	0.0	5,298	0.0
Security	3,421	16,000	18,835	14,319	8,703	61,278	71,338	112,063	183,401	244,679	1.5	330,255	1.6
Miscellaneous													
Total	\$ 3,204,206	\$ 3,143,396	\$ 3,588,519	\$ 1,382,158	\$ 956,529	\$ 12,274,808	\$ 2,253,758	\$ 1,747,760	\$ 4,001,518	\$ 16,276,326	100.0 %	\$ 20,558,705	100.0 %
	19.7%	19.3%	22.0%	8.5%	5.9%	75.4%	13.8%	10.7%	24.6%		100.0%		
2009 Total	\$ 4,962,642	\$ 3,394,011	\$ 5,487,707	\$ 1,383,796	\$ 932,519	\$ 16,160,675	\$ 2,541,321	\$ 1,856,709	\$ 4,398,030	\$ 20,558,705			
	24.1%	16.5%	26.7%	6.7%	4.5%	78.5%	12.5%	9.0%	21.5%		100.0%		

CHICAGO THEATRE GROUP, INC.

SCHEDULES OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Years Ended August 31, 2009

	Direct Expenses				Program Services				Supporting Services				Total 2009 Expenses	Total 2009 %
	Artistic	Advertising and Subscription	Production	General Artistic	General Production	Total Program Services	General and Administration	Fundraising	Total Supporting Expenses					
Salaries, payroll taxes	2,588,099	1,118,177	3,061,195	889,176	787,495	8,444,142	\$ 1,838,512	\$ 870,362	\$ 2,708,874	\$ 11,153,016	54.4 %			
employee benefits		1,979,725				1,979,725				1,979,725	9.6			
Advertising	403,807					403,807				403,807	2.0			
Royalties	869,106		1,633	352,075		1,222,814	242,397	5,144	247,541	1,470,355	7.2			
Fees and expenses			459,977			459,977				459,977	2.2			
Costumes			130,896			130,896				130,896	0.6			
Electrical equipment			1,258,365			1,258,365				1,258,365	6.1			
Props and scenery			25,891	35,033	6,673	742,333	70,942	8,533	79,475	821,808	4.0			
Travel, housing and entertainment	670,585	4,151					78,312		78,312	821,808	4.0			
Insurance											0.4			
Repairs and maintenance	55,875		70,702			126,577	17,461	3,492	20,953	147,530	0.7			
Supplies and non-depreciable equipme	185,440	123,231	25,440	87,289	53,876	475,276	77,523	44,135	121,658	596,934	2.9			
Postage	54	116,379	38	1,583	392	118,446	6,296	26,974	33,270	151,716	0.7			
Rental					29,812	29,812				29,812	0.1			
Depreciation and amortization	1,827	19,348	221,142	5,450	44,447	292,214	67,412	22,767	90,179	382,393	1.9			
Phone campaign								169,370	169,370	169,370	0.8			
Benefit and other event expense								511,493	511,493	511,493	2.5			
Utilities	182,788		226,310			409,098	57,121	11,424	68,545	477,643	2.3			
Security	2,542		1,800			4,342	796	160	956	5,298	0.0			
Miscellaneous	2,519	33,000	4,318	13,190	9,824	62,851	84,549	182,855	267,404	330,255	1.6			
Total	\$ 4,962,642	\$ 3,394,011	\$ 5,487,707	\$ 1,383,796	\$ 932,519	\$ 16,160,675	\$ 2,541,321	\$ 1,856,709	\$ 4,398,030	\$ 20,558,705	100.0 %			
	24.1%	16.5%	26.7%	6.7%	4.5%	78.5%	12.5%	9.0%	21.5%	100.0%				