

**CHICAGO THEATRE GROUP, INC.**  
Chicago, Illinois

**FINANCIAL STATEMENTS**  
August 31, 2015 and 2014

CHICAGO THEATRE GROUP, INC.  
Chicago, Illinois

FINANCIAL STATEMENTS  
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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 the Chicago Theatre Group, Inc. (the "Theatre"), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and cash flows for the year 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 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 auditor's 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.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chicago Theatre Group, Inc. as of August 31, 2015, 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.

## **Other Matters**

The financial statements of the Chicago Theatre Group, Inc. as of August 31, 2014, were audited by other auditors whose report dated December 10, 2014, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the 2015 financial statements as a whole. The schedule of general functional expenses – annual operations is 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 2015 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 information is fairly stated in all material respects in relation to the 2015 financial statements as a whole. The 2014 schedule of general functional expenses – annual operations is presented for purposes of additional analysis and is not a required part of the 2014 financial statements. The 2014 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The information has been subjected to the auditing procedures applied by other auditors in the audit of the 2014 financial statements and certain additional procedures, including comparing and reconciling other 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 and whose report dated December 10, 2014, expressed an opinion that such information was fairly stated in all material respects in relation to the 2014 financial statements as a whole.

  
Crowe Horwath LLP

Chicago, Illinois  
December 11, 2015

CHICAGO THEATRE GROUP, INC.  
STATEMENTS OF FINANCIAL POSITION  
August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,028,022	\$ 554,344
Grants, pledges and other receivables (net of allowance for uncollectible pledges of \$200,000 and \$175,000 in 2015 and 2014, respectively)	3,184,340	1,830,491
Prepaid expenses	<u>1,381,992</u>	<u>1,639,476</u>
Total current assets	5,594,354	4,024,311
Noncurrent investments	27,146,537	29,275,951
Property and equipment		
Building	47,187,805	47,169,026
Equipment	9,274,921	9,037,307
Construction in process	<u>217,303</u>	<u>-</u>
	56,680,029	56,206,333
Less: accumulated depreciation	<u>23,392,282</u>	<u>21,634,367</u>
Net property and equipment	33,287,747	34,571,966
Other assets		
Grants, pledges and other receivables (net of current portion and net of present value discount of \$313,027 and \$24,052 in 2015 and 2014, respectively)	5,714,821	2,144,081
Non-current prepaid expenses	109,395	-
Deposits	<u>84,447</u>	<u>88,199</u>
Total other assets	<u>5,908,663</u>	<u>2,232,280</u>
	<u>\$ 71,937,301</u>	<u>\$ 70,104,508</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 582,707	\$ 776,315
Deferred subscription and admission revenue	4,787,366	4,605,329
Bonds and mortgages payable - due within one year	<u>358,324</u>	<u>590,000</u>
Total current liabilities	5,728,397	5,971,644
Bonds and mortgages payable - long-term	24,321,676	24,680,000
Net assets		
Unrestricted - annual operations	1,764,556	2,262,645
Unrestricted - board designated	29,339,196	32,845,837
Temporarily restricted	<u>10,783,476</u>	<u>4,344,382</u>
Total net assets	<u>41,887,228</u>	<u>39,452,864</u>
Total liabilities and net assets	<u>\$ 71,937,301</u>	<u>\$ 70,104,508</u>

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.  
STATEMENT OF ACTIVITIES  
Year ended August 31, 2015

	Unrestricted			Temporarily Restricted	Total
	Annual Operations	Designated	Total		
<b>Revenues</b>					
Admissions					
Subscriptions	\$ 4,251,260	\$ -	\$ 4,251,260	\$ -	\$ 4,251,260
Individual and group ticket sales	<u>5,086,986</u>	<u>-</u>	<u>5,086,986</u>	<u>-</u>	<u>5,086,986</u>
Total admissions	9,338,246	-	9,338,246	-	9,338,246
Public support	6,263,214	1,097,682	7,360,896	8,515,112	15,876,008
Net investment income (loss)	792,256	(2,542,559)	(1,750,303)	-	(1,750,303)
Concessions income, net of expenses of \$343,037	217,393	-	217,393	-	217,393
Royalty income	13,826	-	13,826	-	13,826
Costume and scenery sales/rentals	149,818	-	149,818	-	149,818
Tour and production income	1,336,682	-	1,336,682	-	1,336,682
Miscellaneous income	<u>237,958</u>	<u>-</u>	<u>237,958</u>	<u>-</u>	<u>237,958</u>
Total revenues	18,349,393	(1,444,877)	16,904,516	8,515,112	25,419,628
Net assets released from restrictions	<u>1,424,325</u>	<u>651,693</u>	<u>2,076,018</u>	<u>(2,076,018)</u>	<u>-</u>
Total revenues and net assets released from restrictions	19,773,718	(793,184)	18,980,534	6,439,094	25,419,628
<b>Expenses</b>					
Program services					
Direct expenses					
Artistic	4,406,313	880,799	5,287,112	-	5,287,112
Advertising and subscription	3,751,846	-	3,751,846	-	3,751,846
Production	4,370,693	623,899	4,994,592	-	4,994,592
General artistic	1,980,023	-	1,980,023	-	1,980,023
General production	<u>1,101,561</u>	<u>-</u>	<u>1,101,561</u>	<u>-</u>	<u>1,101,561</u>
Total program services	15,610,436	1,504,698	17,115,134	-	17,115,134
Supporting services					
General and administrative	2,762,586	599,208	3,361,794	-	3,361,794
Fundraising	<u>1,898,785</u>	<u>609,551</u>	<u>2,508,336</u>	<u>-</u>	<u>2,508,336</u>
Total supporting services	<u>4,661,371</u>	<u>1,208,759</u>	<u>5,870,130</u>	<u>-</u>	<u>5,870,130</u>
Total expenses	<u>20,271,807</u>	<u>2,713,457</u>	<u>22,985,264</u>	<u>-</u>	<u>22,985,264</u>
<b>Change in net assets</b>	(498,089)	(3,506,641)	(4,004,730)	6,439,094	2,434,364
Net assets, beginning of year	<u>2,262,645</u>	<u>32,845,837</u>	<u>35,108,482</u>	<u>4,344,382</u>	<u>39,452,864</u>
<b>Net assets, end of year</b>	<u>\$ 1,764,556</u>	<u>\$ 29,339,196</u>	<u>\$ 31,103,752</u>	<u>\$ 10,783,476</u>	<u>\$ 41,887,228</u>

(Continued)

CHICAGO THEATRE GROUP, INC.  
STATEMENT OF ACTIVITIES  
Year ended August 31, 2014

	Unrestricted			Temporarily Restricted	Total
	Annual Operations	Designated	Total		
<b>Revenues</b>					
Admissions					
Subscriptions	\$ 4,341,999	\$ -	\$ 4,341,999	\$ -	\$ 4,341,999
Individual and group ticket sales	<u>6,261,821</u>	<u>-</u>	<u>6,261,821</u>	<u>-</u>	<u>6,261,821</u>
Total admissions	10,603,820	-	10,603,820	-	10,603,820
Public support	5,916,606	365,369	6,281,975	1,808,850	8,090,825
Net investment income	987,820	2,774,410	3,762,230	-	3,762,230
Concessions income, net of expenses of \$336,254	179,642	-	179,642	-	179,642
Royalty income	11,100	-	11,100	-	11,100
Costume and scenery sales/rentals	219,004	-	219,004	-	219,004
Tour and production income	350,000	-	350,000	-	350,000
Miscellaneous income	<u>25,341</u>	<u>-</u>	<u>25,341</u>	<u>-</u>	<u>25,341</u>
Total revenues	18,293,333	3,139,779	21,433,112	1,808,850	23,241,962
Net assets released from restrictions	<u>1,442,378</u>	<u>619,761</u>	<u>2,062,139</u>	<u>(2,062,139)</u>	<u>-</u>
Total revenues and net assets released from restrictions	19,735,711	3,759,540	23,495,251	(253,289)	23,241,962
<b>Expenses</b>					
Program services					
Direct expenses					
Artistic	4,239,247	883,550	5,122,797	-	5,122,797
Advertising and subscription	3,584,052	-	3,584,052	-	3,584,052
Production	4,390,400	625,848	5,016,248	-	5,016,248
General artistic	1,844,191	-	1,844,191	-	1,844,191
General production	<u>1,026,565</u>	<u>-</u>	<u>1,026,565</u>	<u>-</u>	<u>1,026,565</u>
Total program services	15,084,455	1,509,398	16,593,853	-	16,593,853
Supporting services					
General and administrative	2,700,827	493,785	3,194,612	-	3,194,612
Fundraising	<u>1,916,898</u>	<u>799,254</u>	<u>2,716,152</u>	<u>-</u>	<u>2,716,152</u>
Total supporting services	4,617,725	1,293,039	5,910,764	-	5,910,764
Total expenses	<u>19,702,180</u>	<u>2,802,437</u>	<u>22,504,617</u>	<u>-</u>	<u>22,504,617</u>
<b>Change in net assets</b>	33,531	957,103	990,634	(253,289)	737,345
Net assets, beginning of year	<u>2,229,114</u>	<u>31,888,734</u>	<u>34,117,848</u>	<u>4,597,671</u>	<u>38,715,519</u>
<b>Net assets, end of year</b>	<u>\$ 2,262,645</u>	<u>\$ 32,845,837</u>	<u>\$ 35,108,482</u>	<u>\$ 4,344,382</u>	<u>\$ 39,452,864</u>

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.  
 STATEMENTS OF CASH FLOWS  
 For the years ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,434,364	\$ 737,345
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,757,915	1,743,078
Unrealized (gain) loss on investments	3,268,360	(2,203,464)
Realized gain on investments	(914,670)	(1,015,520)
Change in non-cash assets and liabilities		
Grants, pledges and other receivables	(4,924,589)	420,655
Prepaid expenses and deposits	151,841	27,612
Accounts payable and accrued expenses	(248,009)	182,702
Deferred subscription and admission revenue	182,037	(73,426)
Net cash flows from operating activities	<u>1,707,249</u>	<u>(181,018)</u>
<b>Cash flows from investing activities</b>		
Sales of investments	21,792,286	15,101,694
Purchases of investments	(22,016,562)	(13,306,424)
Purchases of equipment	<u>(419,295)</u>	<u>(644,483)</u>
Net cash from investing activities	(643,571)	1,150,787
<b>Cash flows from financing activities</b>		
Principal payments on bonds and mortgages payable	<u>(590,000)</u>	<u>(590,000)</u>
Net cash flows from financing activities	<u>(590,000)</u>	<u>(590,000)</u>
<b>Net increase in cash and cash equivalents</b>	473,678	379,769
Cash and cash equivalents, beginning of year	<u>554,344</u>	<u>174,575</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,028,022</u>	<u>\$ 554,344</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 293,688</u>	<u>\$ 322,418</u>
Construction in process included in accounts payable	<u>\$ 54,401</u>	<u>\$ -</u>

See accompanying notes to financial statements.



CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, including funds received from the City of Chicago under a redevelopment agreement.
- *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, 2015 or 2014.

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 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.

The Theatre analyzes all uncollected amounts as of year-end and determines allowances as appropriate. As of August 31, 2015 and 2014, the Theatre has allowances totaling \$200,000 and \$175,000, respectively.

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CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments: Investments are reported at fair value. Changes in fair value during the year are recorded as realized and unrealized gains or losses in the statement of activities.

Property and Equipment: Equipment with a cost in excess of \$600 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, 2015 and 2014, advertising related costs amount to \$3,751,846 and \$3,584,052, 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, 2015 and 2014.

**NOTE 2 - FAIR VALUE MEASUREMENTS**

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.

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**NOTE 2 - FAIR VALUE MEASUREMENTS** (Continued)

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, 2015 and 2014.

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.

The following are descriptions of the valuation methods and assumptions used by the Theatre to estimate the fair values of investments:

*Fixed Income Funds:* The fair value of fixed income funds, including government agency and corporate bonds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

*Equity Funds:* The fair value of equities, including domestic stocks, international stocks and equity funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

*Cash and cash equivalents:* Cash and cash equivalents consist principally of investments in short-term, interest-bearing instruments and are carried at cost plus accrued interest, which approximates fair value.

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CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 2 - FAIR VALUE MEASUREMENTS** (Continued)

The following table presents information about the Theatre's assets measured at fair value on a recurring basis as of August 31, 2015 based upon the three-tier hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income funds				
U.S. fixed income	\$ 9,054,169	\$ -	\$ -	\$ 9,054,169
Non-U.S. fixed income	2,682,755	-	-	2,682,755
Equity funds				
U.S. equity	8,739,223	-	-	8,739,223
Non-U.S. equity	6,108,327	-	-	6,108,327
Cash and cash equivalents	<u>562,063</u>	<u>-</u>	<u>-</u>	<u>562,063</u>
 Total	 <u>\$ 27,146,537</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 27,146,537</u>

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>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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
Cash and cash equivalents	<u>100,685</u>	<u>-</u>	<u>-</u>	<u>100,685</u>
 Total	 <u>\$ 29,275,951</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 29,275,951</u>

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(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 3 - GRANTS, PLEDGES AND OTHER RECEIVABLES**

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

	<u>2015</u>	<u>2014</u>
Grants and pledges		
Goodman Excellence Campaign	\$ 7,138,558	\$ 2,500,249
Individuals	846,054	490,786
Government	-	59,950
Foundations	915,500	535,593
Corporations	<u>396,000</u>	<u>470,738</u>
 Gross grants and pledges	 9,296,112	 4,057,316
Less: Unamortized discount	(313,027)	(24,052)
Less: Allowance for uncollectible pledges	(200,000)	(175,000)
Other receivables	<u>116,076</u>	<u>116,308</u>
Total receivables	8,899,161	3,974,572
 Less current portion	 <u>3,184,340</u>	 <u>1,830,491</u>
 Non-current portion	 <u>\$ 5,714,821</u>	 <u>\$ 2,144,081</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 with the exception of \$1,200,000, which is due over five years.

The Goodman Excellence Campaign was established as a fundraising 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 1.375% to 0.625%. Amortization of the discount is reported as a contribution in the statement of activities. Contributions receivable at August 31, 2015 and 2014, from related parties, which represents donations made by board members, were \$6,990,250 and \$1,971,633, respectively.

**NOTE 4 - NONCURRENT INVESTMENTS**

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

	<u>2015</u>	<u>2014</u>
Fixed income funds	\$ 11,736,924	\$ 12,295,742
Equity funds	14,847,550	16,879,524
Cash and cash equivalents	<u>562,063</u>	<u>100,685</u>
 Total	 <u>\$ 27,146,537</u>	 <u>\$ 29,275,951</u>

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(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 4 - NONCURRENT INVESTMENTS** (Continued)

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

	<u>2015</u>	<u>2014</u>
Unrestricted		
Interest and dividends	\$ 603,387	\$ 543,246
Realized gains	914,670	1,015,520
Unrealized gains	<u>(3,268,360)</u>	<u>2,203,464</u>
Total	<u>\$ (1,750,303)</u>	<u>\$ 3,762,230</u>

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of \$734,000 and \$935,000 for 2015 and 2014, respectively. For fiscal year 2015 and 2014, the distribution represents 2.70% and 3.28% of a three-year rolling average of the investment market value.

**NOTE 5 - BONDS/MORTGAGE PAYABLE**

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 of \$1,754,909 incurred in connection with the offering are included in property as of August 31, 2015 and 2014, 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 that were effective through the maturity date of the bonds. The Theatre retired \$400,000 of these bonds in 2015. The remaining balance of the Amalgamated Bonds of \$22,400,000 will be due through December of 2033 according to a payment schedule outlined by the Theatre's letter of credit. As of August 31, 2015, the payment schedule had determined that \$400,000 is payable within one year and is considered current. The remaining \$22,000,000 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, 2015 and 2014, the Bonds bore interest rates of 0.10% and 0.02%, 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 2015. The balance outstanding of the mortgage as of August 31, 2015 was \$2,280,000 with \$190,000 considered due within one-year. The tax-exempt mortgage converted to a variable rate of 2.47% during 2015.

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(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 5 - BONDS/MORTGAGE PAYABLE** (Continued)

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

2016	\$ 358,324
2017	590,000
2018	590,000
2019	590,000
2020	590,000
Thereafter	<u>21,961,676</u>
	<u>\$ 24,680,000</u>

The debt agreement contains various covenants. Management has an ongoing evaluation of covenant compliance subsequent to year end and believes that the Theatre is in compliance with such covenants.

**NOTE 6 - NET ASSETS**

Temporarily restricted net assets held as of August 31, 2015 and 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 2015 and 2014 were due to timing restrictions expiring. Temporarily restricted net assets as of August 31, 2015 and 2014, amount to \$10,783,476 and \$4,344,382, respectively.

**NOTE 7 - BOARD-DESIGNATED ENDOWMENT**

The Theatre's Board-designated endowment is comprised of Board-designated funds to function as endowment. Net assets consisting of those funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Theatre is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Theatre's Board of Directors believes that UPMIFA requires the preservation of the historical value of donor-restricted endowment gifts unless the donor stipulates otherwise. As of August 31, 2015 and 2014, there were no donor-restricted endowment gifts.

The Investment Committee of the Board of Directors establishes policies and procedures concerning the management of the board-designated endowment funds that are approved by the Board of Directors. These policies establish asset classes that are deemed suitable for investment of endowment funds, which currently include investment in domestic and international equities, fixed income, and alternative strategies. Board-designated endowment funds are managed on a total return basis taking into consideration the need to maintain the purchasing power of the funds as well as the need to support the Theatre's mission. Risk and return expectations for the endowment funds are modeled using historical rates of return and volatility measures for various asset allocation scenarios. Investments are made in various asset classes based on policy requirements for a highly diversified portfolio in accordance with asset allocation guidelines.

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(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 7 - BOARD-DESIGNATED ENDOWMENT** (Continued)

Actual allocations to an asset's class are compared to target allocations and rebalanced as appropriate. The performance of endowment funds' investments is reported on a monthly basis and the annual real return objective is to earn, over time, a real, inflation-adjusted, annual rate of return that exceeds the Theatre's spending rate. The earnings or losses from the board-designated endowment assets are based on the Board's designation. For the years ended August 31, 2015 and 2014, unrealized gains and losses from the board-designated funds are classified as unrestricted.

The Theatre's Board has approved a spending policy which allows for the spending of interest, dividends and accumulated gains earned on the endowment assets to support operations for both 2015 and 2014. The target spending for qualified distributions from the endowment in any calendar year should be 6% of the assets annually based on a rolling twelve-quarter (three year) average market value upon Board approval. Actual spending rates were 2.70% and 3.28% for 2015 and 2014, respectively. This policy allows for the preservation of principal, competitive investment returns, and moderate investment risk.

Board-designated endowment net assets composition by type of fund as of August 31, 2015 and 2014 are as follows:

	August 31, 2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated funds	<u>\$ 29,339,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,339,196</u>
	August 31, 2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated funds	<u>\$ 32,845,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,845,837</u>

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(Continued)



CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 7 – BOARD DESIGNATED ENDOWMENT** (Continued)

Changes in board-designated endowment net assets for the years ended August 31, 2015 and 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at August 31, 2013	\$ 31,888,734	\$ -	\$ -	\$ 31,888,734
Investment return				
Investment income, net	488,036	-	-	488,036
Net appreciation (realized and unrealized)	<u>3,221,374</u>	<u>-</u>	<u>-</u>	<u>3,221,374</u>
Total investment return	3,709,410	-	-	3,709,410
Contributions received	985,130	-	-	985,130
Appropriations of endowment assets for expenditure				
Allocation to annual fund	(935,000)	-	-	(935,000)
Spending on endowments	<u>(2,802,437)</u>	<u>-</u>	<u>-</u>	<u>(2,802,437)</u>
Endowment net assets at August 31, 2014	32,845,837	-	-	32,845,837
Investment return				
Investment income, net	542,858	-	-	542,858
Net appreciation (realized and unrealized)	<u>(2,351,417)</u>	<u>-</u>	<u>-</u>	<u>(2,351,417)</u>
Total investment return	(1,808,559)	-	-	(1,808,559)
Contributions received	1,749,375	-	-	1,749,375
Appropriations of endowment assets for expenditure				
Allocation to annual fund	(734,000)	-	-	(734,000)
Spending on endowments	<u>(2,713,457)</u>	<u>-</u>	<u>-</u>	<u>(2,713,457)</u>
Endowment net assets at August 31, 2015	<u>\$ 29,339,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,339,196</u>

**NOTE 8 - RETIREMENT PLANS**

*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 \$185,055 and \$186,732, for the years ended August 31, 2015 and 2014, respectively. Each of these plans requires contributions calculated as a percentage of gross wages of covered employees, at a weighted average of

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(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

**NOTE 8 - RETIREMENT PLANS** (Continued)

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).

As illustrated in the table below, the Theater participated in the following multi-employer plans for the year ended August 30, 2015. 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 2014 and 2013 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
		2014	2013		2015	2014	
Equity League	13-6696817/001	Green	Green	No	\$ 129,576	\$ 104,800	2/12/2017
American Federation of Musicians	51-6120204/001	Green	Green	Yes	-	29,761	4/30/2017
United Scenic Artists	13-7982707/001	Green	Green	No	45,456	40,576	6/30/2017
SDC-League	13-6634482/001	Red	Yellow	Yes	<u>10,023</u>	<u>11,595</u>	4/14/2017
Total Contributions					<u>\$ 185,055</u>	<u>\$ 186,732</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 \$65,166 for the year ended August 31, 2015 and a 1% employer contribution of \$68,149 for the year ended August 31, 2014.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2015 and 2014

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**NOTE 9 - SUBSEQUENT EVENTS**

On September 1, 2015, the Theatre entered into a 10 year lease (with multiple 5 year options) with Friedman Properties for 7,800 sq. ft. on the second floor of the building located at 60 W. Randolph Street, Chicago, Illinois. The new space will house the new Goodman Center for Education and Engagement.

Future minimum lease payments for this new lease are as follows:

2016	\$	-
2017		143,183
2018		218,680
2019		222,585
2020		226,490
Thereafter		<u>1,399,292</u>
	\$	<u>2,210,230</u>

On September 1, 2015, the Theatre restructured its debt that was outstanding as of August 31, 2015, through an arrangement with Fifth Third Bank. The following outlines the new debt structure:

Series 2015A: \$18,000,000 direct bond purchase agreement. The 1999 bond issue was originally for the building of the new theater. The facility carries a 7 year term, amortized over 30 years at a fixed interest rate of 2.86%.

Series 2015B-1: \$2,280,000 direct bond purchase agreement. The 2007 bond issue was originally for the purchase of the Goodman scene shop. The facility carries a 5 year term, amortized over 15 years at a variable rate of (Libor plus 342 bps) x 65%.

Series 2015B-2: \$4,400,000 is the balance of the 1999 bond issue. This facility carries a 7 year term, amortized over 4 years beginning on September 1, 2019 at a variable rate of (Libor plus 260 bps) x 65%.

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

2016	\$	358,324
2017		617,920
2018		628,094
2019		638,443
2020		1,317,700
Thereafter		<u>21,119,519</u>
	\$	<u>24,680,000</u>

The Theatre entered into a \$5,150,000 line of credit for the build out of the new Goodman Center for Education and Engagement and made a draw of \$500,000. The facility carries a 7 year term, amortization to begin in year 3 at a variable rate of (Libor plus 169 bps).

There are no additional subsequent events to note through December 11, 2015 which is the date that the financial statements were issued.

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**SUPPLEMENTAL INFORMATION**

CHICAGO THEATRE GROUP, INC.  
SCHEDULE OF GENERAL FUNCTIONAL EXPENSES – ANNUAL OPERATIONS  
For the year ended August 31, 2015

	Program Services						Supporting Services			Total 2015 Expenses		Total 2014 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 and employee benefits	\$ 2,570,274	\$ 1,460,637	\$ 3,077,820	\$ 1,350,215	\$ 942,339	\$ 9,401,285	\$ 2,148,971	\$ 1,046,444	\$ 3,195,415	\$12,596,700	62.1 %	\$12,227,662	62.1 %
Advertising	-	1,692,020	-	-	-	1,692,020	-	-	-	1,692,020	8.3	1,724,784	8.7
Royalties	491,939	-	-	-	-	491,939	-	-	-	491,939	2.5	510,851	2.6
Fees and expenses	828,136	1,235	4,233	480,181	-	1,313,785	45,935	1,611	47,546	1,361,331	6.7	1,312,446	6.7
Costumes	-	-	180,532	-	-	180,532	-	-	-	180,532	0.9	201,916	1.0
Electrical equipment	-	-	75,436	-	-	75,436	-	-	-	75,436	0.4	63,321	0.3
Props and scenery	-	-	660,188	-	5,007	665,195	-	-	-	665,195	3.3	680,456	3.5
Travel, housing and entertainment	290,820	21,115	27,087	60,537	10,606	410,165	80,212	5,340	85,552	495,717	2.4	548,333	2.8
Insurance	-	-	-	-	-	-	145,617	-	145,617	145,617	0.7	134,708	0.7
Repairs and maintenance	22,191	-	66,985	-	11,682	100,858	7,328	1,387	8,715	109,573	0.5	96,593	0.5
Supplies and non-depreciable equipment	50,547	386,899	24,668	64,370	61,936	588,420	129,546	65,506	195,052	783,472	3.9	668,847	3.4
Postage	-	108,959	-	1,060	326	110,345	13,316	62,048	75,364	185,709	0.9	170,586	0.9
Rental	-	-	-	-	27,279	27,279	5,000	-	5,000	32,279	0.2	32,173	0.2
Depreciation and amortization	396	46,350	61,802	5,900	42,386	156,834	61,995	24,362	86,357	243,191	1.2	249,533	1.3
Phone campaign	-	-	-	-	-	-	-	31,675	31,675	31,675	0.2	33,038	0.2
Benefit and other event expenses	-	-	-	-	-	-	-	410,340	410,340	410,340	2.0	351,047	1.7
Utilities	146,891	-	175,862	-	-	322,753	45,903	9,181	55,084	377,837	1.9	380,330	1.9
Security	2,137	-	1,514	-	-	3,651	666	132	798	4,449	-	4,532	-
Miscellaneous	2,982	34,631	14,566	17,760	-	69,939	78,097	240,759	318,856	388,795	1.9	311,024	1.5
<b>Total</b>	<b>\$ 4,406,313</b>	<b>\$ 3,751,846</b>	<b>\$ 4,370,693</b>	<b>\$ 1,980,023</b>	<b>\$ 1,101,561</b>	<b>\$15,610,436</b>	<b>\$ 2,762,586</b>	<b>\$ 1,898,785</b>	<b>\$ 4,661,371</b>	<b>\$20,271,807</b>	<b>100 %</b>	<b>\$19,702,180</b>	<b>100 %</b>

(Continued)

CHICAGO THEATRE GROUP, INC.  
SCHEDULE OF GENERAL FUNCTIONAL EXPENSES – ANNUAL OPERATIONS  
For the year ended August 31, 2014

	Program Services					Supporting Services				Total 2014 Expenses	
	Direct Expenses			General	General	Total	General		Total		
	Artistic	Advertising and Subscription	Production	Artistic	Production	Program Services	Administration	Fundraising	Supporting Expenses		
Salaries, payroll taxes and 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 %
Advertising	-	1,724,784	-	-	-	1,724,784	-	-	-	1,724,784	8.7
Royalties	510,851	-	-	-	-	510,851	-	-	-	510,851	2.6
Fees and expenses	775,130	-	-	454,391	-	1,229,521	82,925	-	82,925	1,312,446	6.7
Costumes	-	-	201,916	-	-	201,916	-	-	-	201,916	1.0
Electrical equipment	-	-	63,321	-	-	63,321	-	-	-	63,321	0.3
Props and scenery	-	-	680,456	-	-	680,456	-	-	-	680,456	3.5
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
Insurance	-	-	-	-	-	-	134,708	-	134,708	134,708	0.7
Repairs and maintenance	16,024	-	65,468	-	7,088	88,580	7,012	1,001	8,013	96,593	0.5
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
Postage	-	95,860	-	611	310	96,781	14,699	59,106	73,805	170,586	0.9
Rental	-	-	-	-	19,673	19,673	12,500	-	12,500	32,173	0.2
Depreciation and amortization	573	47,534	49,008	7,915	43,765	148,795	66,604	34,134	100,738	249,533	1.3
Phone campaign	-	-	-	-	-	-	-	33,038	33,038	33,038	0.2
Benefit and other event expenses	-	-	-	-	-	-	-	351,047	351,047	351,047	1.7
Utilities	140,906	-	186,584	-	-	327,490	44,033	8,807	52,840	380,330	1.9
Security	2,174	-	1,540	-	-	3,714	680	138	818	4,532	-
Miscellaneous	5,664	17,338	13,926	19,349	-	56,277	10,159	244,588	254,747	311,024	1.5
<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>