

CHICAGO THEATRE GROUP, INC.

Chicago, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report
As of and for the Years Ended
August 31, 2012 and 2011

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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, 2012 and 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CTG's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2012 and 2011, 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 financial statements taken as a whole. The supplemental information provided, as identified in the table of contents, 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 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 Virchow Krause, LLP

Chicago, Illinois
December 6, 2012

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

As of August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 310,355	\$ 454,217
Grants, pledges and other receivables (net of allowance for uncollectible pledges of \$175,000 in 2012 and 2011)	1,639,017	2,110,897
Prepaid expenses	<u>1,697,434</u>	<u>1,508,091</u>
Total Current Assets	<u>3,646,806</u>	<u>4,073,205</u>
Noncurrent Investments (Note 5)	<u>28,295,313</u>	<u>25,967,147</u>
Property and Equipment		
Building	47,144,260	47,066,372
Equipment	<u>7,966,503</u>	<u>7,191,357</u>
Total	55,110,763	54,257,729
Less accumulated depreciation and amortization	<u>18,205,405</u>	<u>16,714,278</u>
Net Property and Equipment	<u>36,905,358</u>	<u>37,543,451</u>
Other Assets		
Grants, pledges and other receivables	1,458,333	1,237,532
Deposits	<u>52,500</u>	<u>104,000</u>
Total Other Assets	<u>1,510,833</u>	<u>1,341,532</u>
TOTAL ASSETS	<u>\$ 70,358,310</u>	<u>\$ 68,925,335</u>

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 605,415	\$ 475,406
Deferred subscription and admission revenue	4,865,641	4,452,658
Bonds payable - due within one year (Note 6)	<u>590,000</u>	<u>490,000</u>
Total Current Liabilities	<u>6,061,056</u>	<u>5,418,064</u>
Bonds Payable (Note 6)	<u>25,860,000</u>	<u>26,450,000</u>
Net Assets		
Unrestricted	34,390,672	33,818,990
Temporarily restricted	<u>4,046,582</u>	<u>3,238,281</u>
Total Net Assets	<u>38,437,254</u>	<u>37,057,271</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 70,358,310</u>	<u>\$ 68,925,335</u>

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2012

	Unrestricted		Total	Temporarily	Total
	Annual Operations	Designated		Restricted	
Revenues					
Admissions					
Subscriptions	\$ 4,604,410	\$ -	\$ 4,604,410	\$ -	\$ 4,604,410
Individual and group ticket sales	6,672,787	-	6,672,787	-	6,672,787
	11,277,197	-	11,277,197	-	11,277,197
Public support	5,709,148	689,062	6,398,210	2,308,292	8,706,502
Investment earnings (Note 5)	504,924	1,298,465	1,803,389	-	1,803,389
Concessions income, net of expenses of \$323,076	189,312	-	189,312	-	189,312
Royalty income	44,310	-	44,310	-	44,310
Costume and scenery sales/rentals	197,302	-	197,302	-	197,302
Tour and Production Income	152,478	-	152,478	-	152,478
Miscellaneous income	53,624	-	53,624	-	53,624
Total Revenues	18,128,295	1,987,527	20,115,822	2,308,292	22,424,114
Net Assets Released from Restrictions	984,657	515,334	1,499,991	(1,499,991)	-
Total Revenues and Net Assets Released from Restrictions	19,112,952	2,502,861	21,615,813	808,301	22,424,114
Expenses					
Program Services					
Direct Expenses					
Artistic	3,986,054	964,569	4,950,623	-	4,950,623
Advertising and subscription	3,445,688	-	3,445,688	-	3,445,688
Production	3,724,875	683,236	4,408,111	-	4,408,111
General artistic	1,612,230	-	1,612,230	-	1,612,230
General production	997,628	-	997,628	-	997,628
Total Program Services	13,766,475	1,647,805	15,414,280	-	15,414,280
Supporting Services					
General and administrative	2,600,499	466,377	3,066,876	-	3,066,876
Fundraising	1,932,876	630,099	2,562,975	-	2,562,975
Total Supporting Services	4,533,375	1,096,476	5,629,851	-	5,629,851
Total Expenses	18,299,850	2,744,281	21,044,131	-	21,044,131
Change in Net Assets	813,102	(241,420)	571,682	808,301	1,379,983
Net Assets, Beginning of Year	1,381,937	32,437,053	33,818,990	3,238,281	37,057,271
Net Assets, End of Year	\$ 2,195,039	\$ 32,195,633	\$ 34,390,672	\$ 4,046,582	\$ 38,437,254

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2011

	Unrestricted		Total	Temporarily	Total
	Annual Operations	Designated		Restricted	
Revenues					
Admissions					
Subscriptions	\$ 4,028,765	\$ -	\$ 4,028,765	\$ -	\$ 4,028,765
Individual and group ticket sales	5,624,956	-	5,624,956	-	5,624,956
	9,653,721	-	9,653,721	-	9,653,721
Public support	5,630,427	347,229	5,977,656	1,500,244	7,477,900
Investment earnings (Note 5)	573,771	1,123,239	1,697,010	-	1,697,010
Concessions income, net of expenses of \$236,426	147,782	-	147,782	-	147,782
Royalty income	27,227	-	27,227	-	27,227
Costume and scenery sales/rentals	40,907	-	40,907	-	40,907
Tour and production income	656,233	-	656,233	-	656,233
Miscellaneous income	141,201	-	141,201	-	141,201
Total Revenues	16,871,269	1,470,468	18,341,737	1,500,244	19,841,981
Net Assets Released from Restrictions	980,750	712,164	1,692,914	(1,692,914)	-
Total Revenues and Net Assets Released from Restrictions	17,852,019	2,182,632	20,034,651	(192,670)	19,841,981
Expenses					
Program Services					
Direct Expenses					
Artistic	3,873,930	965,538	4,839,468	-	4,839,468
Advertising and subscription	3,269,905	-	3,269,905	-	3,269,905
Production	4,060,723	683,923	4,744,646	-	4,744,646
General artistic	1,456,556	-	1,456,556	-	1,456,556
General production	972,594	-	972,594	-	972,594
Total Program Services	13,433,708	1,649,461	15,083,169	-	15,083,169
Supporting Services					
General and administrative	2,111,424	376,758	2,488,182	-	2,488,182
Fundraising	1,990,465	495,637	2,486,102	-	2,486,102
Total Supporting Services	4,101,889	872,395	4,974,284	-	4,974,284
Total Expenses	17,535,597	2,521,856	20,057,453	-	20,057,453
Change in Net Assets	316,422	(339,224)	(22,802)	(192,670)	(215,472)
Net Assets, Beginning of Year	1,065,515	32,776,277	33,841,792	3,430,951	37,272,743
Net Assets, End of Year	\$ 1,381,937	\$ 32,437,053	\$ 33,818,990	\$ 3,238,281	\$ 37,057,271

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CHICAGO THEATRE GROUP, INC.

Statements of Cash Flows
For the Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,379,983	\$ (215,472)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	1,612,695	1,588,022
Unrealized (gain) on investments	(660,516)	(46,840)
Realized (gain) on investments	(368,873)	(720,664)
Change in noncash assets and liabilities		
Grants, pledges and other receivables	251,079	(5,836)
Prepaid expenses	(137,843)	302,245
Accounts payable and accrued expenses	130,009	(242,933)
Deferred subscription and admission revenue	412,983	289,818
Net Cash Flows from Operating Activities	<u>2,619,517</u>	<u>948,340</u>
Cash Flows From Investing Activities		
Sales of investments	16,736,659	20,600,744
Purchases of investments	(18,036,178)	(20,518,829)
Purchases of equipment	(973,860)	(376,338)
Net Cash Flows from by Investing Activities	<u>(2,273,379)</u>	<u>(294,423)</u>
Cash Flows From Financing Activities:		
Payments on bonds payable	(490,000)	(390,000)
Net Cash Flows from financing activities	<u>(490,000)</u>	<u>(390,000)</u>
Net Change in Cash and Cash Equivalents	(143,862)	263,917
Cash and Cash Equivalents, Beginning of Year	<u>454,217</u>	<u>190,300</u>
Cash and Cash Equivalents, End of Year	<u>\$ 310,355</u>	<u>\$ 454,217</u>
Supplemental Disclosure		
Interest payments	<u>\$ 549,285</u>	<u>\$ 578,692</u>

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CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended August 31, 2012 and 2011

NOTE 1 – Summary of Significant Accounting Policies

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. 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, 2012 or 2011.

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.

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 Years Ended August 31, 2012 and 2011

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

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.

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.

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, 2012 and 2011. The Theatre's tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2009 and thereafter are open to examination by federal and state authorities.

Reclassifications

Certain amounts appearing in the 2011 financial statements have been reclassified to conform with the 2012 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2012 and 2011

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.

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, equity funds and cash that are based on quoted market prices.

There have been no changes in the techniques and inputs used as of August 31, 2012 and 2011.

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 Years Ended August 31, 2012 and 2011

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, 2012 based upon the three-tier hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Investments				
Fixed income funds				
U.S. fixed income	\$ 11,538,356	\$ 11,538,356	\$ -	\$ -
Non U.S. fixed income	3,095,657	3,095,657	-	-
Equity funds				
U.S. equity	9,286,969	9,286,969	-	-
Non U.S. equity	4,221,350	4,221,350	-	-
Cash	152,981	152,981	-	-
Total	\$ 28,295,313	\$ 28,295,313	\$ -	\$ -

The following table presents information about the Theatre's assets measured at fair value on a recurring basis as of August 31, 2011 based upon the three-tier hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Investments				
Fixed income funds				
U.S. fixed income	\$ 10,078,385	\$ 10,078,385	\$ -	\$ -
Non U.S. fixed income	7,235,764	7,235,764	-	-
Equity funds				
U.S. equity	4,909,982	4,909,982	-	-
Non U.S. equity	3,617,882	3,617,882	-	-
Cash	125,134	125,134	-	-
Total	\$ 25,967,147	\$ 25,967,147	\$ -	\$ -

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
As of and for the Years Ended August 31, 2012 and 2011

NOTE 4 – Grants, Pledges and Other Receivables

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

	2012	2011
Grants and pledges:		
Campaign for the Goodman Endowment	\$ 1,549,839	\$ 1,668,440
Individuals	466,908	339,658
Government	30,000	600,000
Foundations	573,750	220,000
Corporations	375,800	113,500
	<u>2,996,297</u>	<u>2,941,598</u>
Other receivables	101,053	406,831
Total Receivables	3,097,350	3,348,429
Less current portion	<u>1,639,017</u>	<u>2,110,897</u>
Noncurrent portion	<u>\$ 1,458,333</u>	<u>\$ 1,237,532</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, the Theatre 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, the Theatre will utilize these funds to pay for a portion of the New Goodman Theatre Project (see Note 3). The Theatre 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 2012 and 2011.

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, 2012, the Theatre has remaining uncollected grants and pledges totaling \$175,000, all of which is temporarily restricted, and is expected to be collected within one year.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2012 and 2011

NOTE 5 – Noncurrent Investments

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

	<u>2012</u>	<u>2011</u>
Fixed income funds	\$ 14,634,013	\$ 17,314,149
Equity funds	13,508,319	8,527,864
Cash and cash equivalents	<u>152,981</u>	<u>125,134</u>
Total	<u>\$ 28,295,313</u>	<u>\$ 25,967,147</u>

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

	<u>2012</u>	<u>2011</u>
Unrestricted		
Interest and dividends	\$ 774,000	\$ 929,506
Realized gains	368,873	720,664
Unrealized gains	<u>660,516</u>	<u>46,840</u>
Total	<u>\$ 1,803,389</u>	<u>\$ 1,697,010</u>

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of \$450,000 and \$515,148 for 2012 and 2011, respectively. For fiscal year 2012 and 2011, the distribution represents 1.70% and 2.00% 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 received from the City (see Note 3). 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, 2012 and 2011, and are being amortized on a straight-line basis over the life of the building.

The bonds 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 a principal payment over the next year of \$400,000.

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.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2012 and 2011

NOTE 6 – Bonds Payable (cont.)

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, 2012 and 2011, the Bonds bore interest rates of 0.18% and 0.25%, 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 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 was converted from a variable rate to a fixed interest rate of 4.61%. Future maturities of the mortgage are as follows:

2013	\$	190,000
2014		190,000
2015		190,000
2016		190,000
2017		190,000
Thereafter		<u>1,900,000</u>
Total	\$	<u>2,850,000</u>

NOTE 7 – Net Assets Released from Restrictions

Temporarily restricted net assets held as of August 31, 2012 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 2012 were due to timing restrictions expiring.

NOTE 8 – 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 2% employer contribution of \$166,905 for the year ended August 31, 2012 and a 1% employer contribution of \$102,323 for 2011.

NOTE 9 – Subsequent Events

The Theatre has evaluated subsequent events through December 6, 2012, which is the date that the financial statements were issued.

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Supplementary Information

CHICAGO THEATRE GROUP, INC.

SCHEDULES OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Year Ended August 31, 2012, with comparable totals for 2011

	Program Services						Supporting Services			Total 2012 Expenses	%	Total 2011 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	2,221,665	959,882	2,566,471	1,038,681	852,252	\$ 7,638,951	\$ 1,762,130	\$ 1,016,939	\$ 2,779,069	\$ 10,418,020	56.9%	\$ 10,367,821	59.1%	
Advertising		1,684,309				1,684,309			-	1,684,309	9.2	1,656,681	9.4	
Royalties	605,901					605,901			-	605,901	3.3	488,548	2.8	
Fees and expenses	592,322		30,000	398,345		1,020,667	96,024		96,024	1,116,691	6.1	1,034,513	5.9	
Costumes			184,102			184,102			-	184,102	1.0	226,724	1.3	
Electrical equipment			61,841			61,841			-	61,841	0.3	40,621	0.2	
Props and scenery			497,991			497,991			-	497,991	2.7	570,234	3.3	
Travel, housing and entertainment	346,403	8,351	9,616	33,121	16,085	413,576	79,263	10,150	89,413	502,989	2.7	392,133	2.2	
Insurance						-	92,913		92,913	92,913	0.5	72,201	0.4	
Repairs and maintenance	43,158		84,565		14,177	141,900	13,487	2,697	16,184	158,084	0.9	143,127	0.8	
Supplies and non-depreciable equipment	47,559	253,855	94,477	63,224	55,553	514,668	212,293	111,863	324,156	838,824	4.6	550,128	3.1	
Postage		77,219		1,063	208	78,490	9,406	95,023	104,429	182,919	1.0	148,726	0.8	
Rental					28,206	28,206			-	28,206	0.2	28,353	0.2	
Depreciation and amortization	573	36,756	27,802	500	31,147	96,778	61,018	26,163	87,181	183,959	1.0	186,963	1.1	
Phone campaign		425,316				425,316			92,412	517,728	2.8	443,816	2.5	
Benefit and other event expense						-		396,131	396,131	396,131	2.2	661,784	3.8	
Utilities	112,676		146,231			258,907	52,219	7,042	59,261	318,168	1.7	353,708	2.0	
Security						-			-	-	0.0	10,694	0.1	
Miscellaneous	15,797		21,779	77,296		114,872	221,746	174,456	396,202	511,074	2.8	158,822	0.9	
Total	\$ 3,986,054	\$ 3,445,688	\$ 3,724,875	\$ 1,612,230	\$ 997,628	\$ 13,766,475	\$ 2,600,499	\$ 1,932,876	\$ 4,533,375	\$ 18,299,850	100.0%	\$ 17,535,597	100.0%	
	21.7%	18.8%	20.4%	8.8%	5.5%	75.2%	14.2%	10.6%	24.8%	100.0%				
2011 Total	\$ 3,673,930	\$ 3,269,905	\$ 4,060,723	\$ 1,456,556	\$ 972,594	\$ 13,433,708	\$ 2,111,424	\$ 1,990,465	\$ 4,101,889	\$ 17,535,597				
	21.0%	18.6%	23.2%	8.3%	5.5%	76.6%	12.0%	11.4%	23.4%	100.0%				

CHICAGO THEATRE GROUP, INC.

SCHEDULES OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Year Ended August 31, 2011

	Program Services						Supporting Services			Total 2011 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	2,079,754	1,104,078	2,831,249	911,900	851,727	\$ 7,778,708	\$ 1,658,061	\$ 931,052	\$ 2,589,113	\$ 10,367,821	59.1%	
Advertising		1,656,681				1,656,681			-	1,656,681	9.4	
Royalties	488,548					488,548			-	488,548	2.8	
Fees and expenses	550,712			409,111		959,823	74,690		74,690	1,034,513	5.9	
Costumes			226,724			226,724			-	226,724	1.3	
Electrical equipment			40,621			40,621			-	40,621	0.2	
Props and scenery			570,234			570,234			-	570,234	3.3	
Travel, housing and entertainment	271,515	7,982	20,286	22,393	10,773	332,949	50,451	8,733	59,184	392,133	2.2	
Insurance						-	72,201		72,201	72,201	0.4	
Repairs and maintenance	41,823		74,357		11,263	127,443	13,070	2,614	15,684	143,127	0.8	
Supplies and non-depreciable equipment	70,987	62,125	34,829	96,562	42,129	306,632	126,683	116,813	243,496	550,128	3.1	
Postage		84,660		1,127	314	86,101	5,463	57,162	62,625	148,726	0.8	
Rental					28,353	28,353			-	28,353	0.2	
Depreciation and amortization	683	27,132	45,493	3,304	28,035	104,647	58,660	23,656	82,316	186,963	1.1	
Phone campaign		327,247				327,247			116,569	116,569	2.5	
Benefit and other event expense						-		661,784	661,784	661,784	3.8	
Utilities	128,897		176,475			305,372	40,280	8,056	48,336	353,708	2.0	
Security	5,133		3,636			8,769	1,604	321	1,925	10,694	0.1	
Miscellaneous	35,878		36,819	12,159		84,856	10,261	63,705	73,966	158,822	0.9	
Total	\$ 3,673,930	\$ 3,269,905	\$ 4,060,723	\$ 1,456,556	\$ 972,594	\$ 13,433,708	\$ 2,111,424	\$ 1,990,465	\$ 4,101,889	\$ 17,535,597	100.0%	
	21.0%	18.6%	23.2%	8.3%	5.5%	76.6%	12.0%	11.4%	23.4%	100.0%		

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