

CHICAGO THEATRE GROUP, INC.

Chicago, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report
As of and for the Years Ended
August 31, 2013 and 2012

CHICAGO THEATRE GROUP, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Chicago Theatre Group, Inc ("CTG"), which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CTG as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary 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 10, 2013

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION As of August 31, 2013 and 2012

	ASSETS	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 174,575	\$ 310,355
Grants, pledges and other receivables (net of allowance for uncollectible pledges of \$175,000 in 2013 and 2012)	2,134,831	1,639,017
Prepaid expenses	1,669,267	1,697,434
Total Current Assets	<u>3,978,673</u>	<u>3,646,806</u>
NONCURRENT ASSETS		
Investments (Note 5)	27,852,237	28,295,313
Grants, pledges and other receivables	2,260,396	1,458,333
Deposits	86,020	52,500
Property and equipment, net (Note 6)	<u>35,670,561</u>	<u>36,905,358</u>
TOTAL ASSETS	<u>\$ 69,847,887</u>	<u>\$ 70,358,310</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 593,613	\$ 605,415
Deferred subscription and admission revenue	4,678,755	4,865,641
Bonds Payable - due within one Year (Note 7)	590,000	590,000
Total Current Liabilities	<u>5,862,368</u>	<u>6,061,056</u>
LONG-TERM LIABILITIES		
Bonds payable (Note 7)	<u>25,270,000</u>	<u>25,860,000</u>
Total Liabilities	<u>31,132,368</u>	<u>31,921,056</u>
NET ASSETS		
Unrestricted	34,117,848	34,390,672
Temporarily restricted	4,597,671	4,046,582
Total Net Assets	<u>38,715,519</u>	<u>38,437,254</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 69,847,887</u>	<u>\$ 70,358,310</u>

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2013

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

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2012

	Unrestricted		Temporarily Restricted	Total
	Annual Operations	Designated		
REVENUES				
Admissions				
Subscriptions	\$ 4,604,410	\$ -	\$ 4,604,410	\$ -
Individual and group ticket sales	6,672,787	-	6,672,787	-
Total Admissions	11,277,197	-	11,277,197	-
Public support	5,709,148	689,062	6,398,210	2,308,292
Investment income (Note 5)	504,924	1,298,465	1,803,389	-
Concessions income, net of expenses of \$323,075	189,312	-	189,312	-
Royalty income	44,310	-	44,310	-
Costume and scenery sales/rentals	197,302	-	197,302	-
Tour and production income	152,478	-	152,478	-
Miscellaneous income	53,624	-	53,624	-
Total Revenues	18,128,295	1,987,527	20,115,822	2,308,292
Net Assets Released from Restrictions	984,657	515,334	1,499,991	(1,499,991)
Total Revenues and Net Assets Released from Restriction	19,112,952	2,502,861	21,615,813	808,301
EXPENSES				
Program Services				
Direct Expenses				
Artistic	3,986,054	964,569	4,950,623	-
Advertising and subscription	3,445,688	-	3,445,688	-
Production	3,724,875	683,236	4,408,111	-
General artistic	1,612,230	-	1,612,230	-
General production	997,628	-	997,628	-
Total Program Services	13,766,475	1,647,805	15,414,280	-
Supporting Services				
General and administrative	2,600,499	466,377	3,066,876	-
Fundraising	1,932,876	630,099	2,562,975	-
Total Supporting Services	4,533,375	1,096,476	5,629,851	-
Total Expenses	18,299,850	2,744,281	21,044,131	-
CHANGE IN NET ASSETS	813,102	(241,420)	571,682	808,301
NET ASSETS - Beginning of Year	1,381,937	32,437,053	33,818,990	3,238,281
NET ASSETS - END OF YEAR	<u>\$ 2,195,039</u>	<u>\$ 32,195,633</u>	<u>\$ 34,390,672</u>	<u>\$ 4,046,582</u>

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF CASH FLOWS For the Years Ended August 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 278,265	\$ 1,379,983
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	1,685,884	1,612,695
Unrealized gain on investments	(94,152)	(660,516)
Realized gain on investments	(1,051,149)	(368,873)
Change in noncash assets and liabilities		
Grants, pledges and other receivables	(1,297,877)	251,079
Prepaid expenses and deposits	(5,353)	(137,843)
Accounts payable and accrued expenses	(11,802)	130,009
Deferred subscription and admission revenue	(186,886)	412,983
Net Cash Flows from Operating Activities	(683,070)	2,619,517
Cash Flows From Investing Activities		
Sales of investments	18,713,724	16,736,659
Purchases of investments	(17,125,347)	(18,036,178)
Purchases of equipment	(451,087)	(973,860)
Net Cash Flows from Investing Activities	1,137,290	(2,273,379)
Cash Flows From Financing Activities		
Principal payments on bonds payable	(590,000)	(490,000)
Net Cash Flows from Financing activities	(590,000)	(490,000)
Net Decrease in Cash and Cash Equivalents	(135,780)	(143,862)
Cash and Cash Equivalents - Beginning of Year	310,355	454,217
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 174,575	\$ 310,355
Supplemental Disclosure		
Cash paid for interest	\$ 443,320	\$ 549,285

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS As of and for the Year's Ended August 31, 2013 and 2012

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, 2013 or 2012.

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

As of and for the Year's Ended August 31, 2013 and 2012

NOTE 1 – 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.

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, 2013 and 2012, advertising related costs amount to \$3,720,045 and \$3,445,688, 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.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Year's Ended August 31, 2013 and 2012

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

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, 2013 and 2012. The Theatre's tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2010 and thereafter are open to examination by federal and state authorities.

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.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year's Ended August 31, 2013 and 2012

NOTE 2 – Fair Value Measurements (cont.)

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, 2013 and 2012.

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

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

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:

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	<u>152,981</u>	<u>152,981</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,295,313</u>	<u>\$ 28,295,313</u>	<u>\$ -</u>	<u>\$ -</u>

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Year's Ended August 31, 2013 and 2012

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.

NOTE 4 – Grants, Pledges and Other Receivables

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

	2013	2012
Grants and pledges:		
Campaign for the Goodman Endowment	\$ 2,879,660	\$ 1,728,806
Individuals	567,778	466,908
Government	90,000	30,000
Foundations	483,750	573,750
Corporations	273,000	375,800
	4,294,188	3,175,264
Gross grants and pledges		
Less: Unamortized discount	(27,567)	(3,967)
Allowance for uncollectible pledges	(175,000)	(175,000)
Other receivables	303,606	101,053
	4,395,227	3,097,350
Total Receivables		
Less current portion	2,134,831	1,639,017
	\$ 2,260,396	\$ 1,458,333
Noncurrent portion		

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Year's Ended August 31, 2013 and 2012

NOTE 4 – Grants, Pledges and Other Receivables (cont.)

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 2013 and 2012.

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, 2013 and 2012, the Theatre has remaining uncollected grants and pledges totaling \$175,000 from American Airlines, all of which is temporarily restricted. When the pledge was originally made in 1997 the Airline was going through bankruptcy, as such, a reserve was set up for the entire amount.

Contributions receivable have been discounted using a rate ranging from 1.5% to .38%. Amortization of the discount is reported as a contribution in the statement of activities. Contributions receivable at August 31, 2013 and 2012, from related parties remained at \$0.

NOTE 5 – Noncurrent Investments

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

	<u>2013</u>	<u>2012</u>
Fixed income funds	\$ 11,047,717	\$ 14,634,013
Equity funds	16,729,397	13,508,319
Cash and cash equivalents	<u>75,123</u>	<u>152,981</u>
Total	<u>\$ 27,852,237</u>	<u>\$ 28,295,313</u>

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

	<u>2013</u>	<u>2012</u>
Unrestricted		
Interest and dividends	\$ 841,852	\$ 774,000
Realized gains	1,051,149	368,873
Unrealized gains	<u>94,152</u>	<u>660,516</u>
Total	<u>\$ 1,987,153</u>	<u>\$ 1,803,389</u>

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Year's Ended August 31, 2013 and 2012

NOTE 5 – Noncurrent Investments (cont.)

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of \$460,000 and \$450,000 for 2013 and 2012, respectively. For fiscal year 2013 and 2012, the distribution represents 1.68% and 1.70% of a three year rolling average of the investment market value.

NOTE 6 – Property and Equipment

As of August 31, the components of the Theatre's property, plant, and equipment were as follows:

	<u>2013</u>	<u>2012</u>
Building	\$ 47,169,026	\$ 47,144,260
Equipment	8,392,824	7,966,503
Less: Accumulated depreciation	<u>(19,891,289)</u>	<u>(18,205,405)</u>
Total	<u>\$ 35,670,561</u>	<u>\$ 36,905,358</u>

NOTE 7 – 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 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, 2013 and 2012, 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 remaining balance of the Amalgamated Bonds of \$23,200,000 will be due according to a payment schedule outlined by the Theatre's letter of credit.

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, 2013 and 2012, the Bonds bore interest rates of 0.09% and 0.18%, 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 bore an interest rate of 4.61%.

CHICAGO THEATRE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Year's Ended August 31, 2013 and 2012

NOTE 7 – Bonds Payable (cont.)

Future maturities of the mortgage are as follows:

2014	\$	590,000
2015		590,000
2016		190,000
2016		190,000
2018		190,000
2019-2034		<u>24,110,000</u>
Total	\$	<u>25,860,000</u>

NOTE 8 – Net Assets

Temporarily restricted net assets held as of August 31, 2013 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 2013 were due to timing restrictions expiring. Temporarily restricted net assets as of August 31, 2013 and 2012, amount to \$4,597,671 and \$4,046,582, respectively.

NOTE 9 – 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 \$70,614 for the year ended August 31, 2013 and a 2% employer contribution of \$166,905 for 2012.

NOTE 10 – Subsequent Events

The Theatre has evaluated subsequent events through December 10, 2013 which is the date that the financial statements were issued.

SUPPLEMENTAL INFORMATION

CHICAGO THEATRE GROUP, INC.

SCHEDULE OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Year Ended August 31, 2013, with Comparative Totals for 2012

	Direct Expenses				Program Services				Supporting Services				Total 2012 Expenses
	Artistic	Advertising and Subscription	Production	General Artistic	General Production	Total Program Services	General and Administration	Fundraising	Total Supporting Expenses	Total 2013 Expenses	Total 2012 Expenses		
Salaries, payroll taxes	2,831,938	1,453,232	3,544,471	1,060,156	872,101	9,761,898	1,857,418	1,024,968	2,882,386	12,644,284	10,419,020	56.9%	
employee benefits	-	1,692,681	-	-	-	1,692,681	-	-	-	1,692,681	1,684,309	9.2%	
Advertising	323,857	-	-	-	-	323,857	-	-	-	323,857	605,901	3.3%	
Royalties	796,900	-	-	443,369	-	1,240,269	185,730	-	185,730	1,425,999	1,116,691	6.1%	
Fees and expenses	-	-	-	-	-	302,276	-	-	-	302,276	184,102	1.0%	
Costumes	-	-	302,276	-	-	120,275	-	-	-	120,275	61,841	0.3%	
Electrical equipment	-	-	1,059,466	-	-	1,059,466	-	-	-	1,059,466	497,991	2.7%	
Props and scenery	-	9,683	33,961	62,492	16,127	561,033	88,975	11,762	100,737	661,770	502,869	2.7%	
Travel, housing and entertainment	438,770	-	-	-	-	-	101,226	-	101,226	101,226	158,084	0.9%	
Insurance	55,458	-	104,898	-	19,599	179,955	17,331	3,466	20,797	200,752	158,084	0.9%	
Repairs and maintenance	113,138	384,750	25,417	60,730	60,963	644,998	137,699	249,834	387,533	1,032,531	838,824	4.6%	
Supplies and non-depreciable equipment	-	109,627	-	1,251	364	111,242	11,688	-	11,688	122,930	182,919	1.0%	
Postage	-	-	-	25,873	-	25,873	-	-	-	25,873	28,206	0.2%	
Rental	573	56,809	33,566	1,942	34,266	127,156	62,415	33,249	95,664	222,820	183,959	1.0%	
Depreciation and amortization	-	-	-	-	-	-	-	52,207	52,207	52,207	517,728	2.8%	
Phone campaign	121,403	-	140,554	-	-	261,957	37,938	7,588	45,526	307,483	396,131	2.2%	
Benefit and other event expense	2,475	-	1,751	4,226	-	4,226	773	155	928	5,154	318,168	1.7%	
Utilities	9,756	13,263	25,231	-	-	48,250	0	174,997	174,997	223,247	511,074	2.8%	
Security	-	-	-	-	-	-	-	-	-	-	-	0.0%	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	0.0%	
Total	4,694,268	3,720,045	5,391,866	1,629,940	1,029,293	16,465,412	2,501,193	1,918,977	4,420,170	20,885,582	18,299,850	100.0%	
	22.4%	17.8%	25.8%	7.8%	4.9%	78.7%	12.0%	9.2%	21.2%	99.9%			
2012 Total	3,966,054	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	18,299,850	100.0%	
	21.8%	18.8%	20.4%	8.8%	5.5%	75.2%	14.2%	10.6%	24.8%	100.0%			

CHICAGO THEATRE GROUP, INC.

SCHEDULE OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Year Ended August 31, 2012

	Direct Expenses				Program Services				Supporting Services				Total 2012 Expenses	56.9 %
	Artistic	Subscription and Advertising	Production	General Artistic	General Production	Total Program Services	General and Administration	Fundraising	Total Supporting Expenses					
Salaries, payroll taxes	\$ 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	10,418,020	1,684,309	1,684,309	9.2
employee benefits	-	1,684,309	-	-	-	1,684,309	-	-	-	1,684,309	1,684,309	605,901	605,901	3.3
Advertising	605,901	-	-	-	-	605,901	-	-	-	605,901	605,901	1,116,691	1,116,691	6.1
Royalties	592,322	-	30,000	398,345	-	1,020,667	96,024	-	96,024	1,116,691	1,116,691	184,102	184,102	1.0
Fees and expenses	-	-	184,102	-	-	184,102	-	-	-	184,102	184,102	61,841	61,841	0.3
Costumes	-	-	61,841	-	-	61,841	-	-	-	61,841	61,841	497,991	497,991	2.7
Electrical equipment	-	-	497,991	-	-	497,991	-	-	-	497,991	497,991	10,150	10,150	0.1
Props and scenery	346,403	8,351	9,616	33,121	16,085	413,576	79,263	10,150	89,413	502,989	502,989	92,913	92,913	0.5
Travel, housing and entertainment	-	-	-	-	-	-	92,913	-	92,913	92,913	92,913	16,184	16,184	0.1
Insurance	43,158	-	84,565	-	14,177	141,900	13,487	2,697	16,184	158,084	158,084	838,824	838,824	4.6
Repairs and maintenance	47,559	253,855	94,477	63,224	55,553	514,668	212,293	111,863	324,156	838,824	838,824	182,919	182,919	1.0
Supplies and non-depreciable equipment	-	77,219	-	1,063	208	78,490	9,406	95,023	104,429	182,919	182,919	28,206	28,206	0.2
Postage	-	-	-	-	28,206	28,206	-	-	-	28,206	28,206	87,181	87,181	0.4
Rental	-	-	27,802	500	31,147	96,778	61,018	26,163	87,181	183,959	183,959	517,728	517,728	2.8
Depreciation and amortization	573	36,756	-	-	31,147	425,316	-	-	92,412	517,728	517,728	396,131	396,131	2.2
Phone campaign	-	425,316	-	-	-	425,316	-	-	396,131	396,131	396,131	318,168	318,168	1.7
Benefit and other event expense	112,676	-	146,231	-	-	258,907	52,219	7,042	59,261	318,168	318,168	-	-	0.0
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0
Security	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0
Miscellaneous	15,797	-	21,779	77,296	-	114,872	221,746	174,456	396,202	511,074	511,074	-	-	2.8
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	18,299,850	100.0%	100.0%	100.0 %
	21.7%	18.8%	20.4%	8.8%	5.5%	75.2%	14.2%	10.6%	24.8%	100.0%	100.0%			