Chicago Theatre Group, Inc.

Financial Report

August 31, 2020

Contents

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Chicago Theatre Group, Inc.

We have audited the accompanying financial statements of Chicago Theatre Group, Inc. (the "Theatre"), which comprise the statements of financial position as of August 31, 2020 and the related statements of activities, functional expenses, 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.

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, 2020 and the results of its changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Chicago Theatre Group, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Trustees
Chicago Theatre Group, Inc.

Emphasis of Matters

As described in Note 1 to the financial statements, the Theatre has been impacted by the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

Also as described in Note 1 to the financial statements, the Theatre adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

December 28, 2020

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION
August 31, 2020 and 2019

ASSETS

	2020	2019
Current Assets		
Cash and cash equivalents	$ 659,000	$ 1,983,648
Grants, pledges and other receivables (net of allowance for uncollectible pledges of $200,000 in 2020 and 2019)	2,078,449	2,734,136
Prepaid expenses	542,125	1,722,204
Total Current Assets	3,279,574	6,439,988
Noncurrent Investments	26,419,568	25,116,220
Property and Equipment		
Building	47,651,595	47,187,805
Equipment	11,732,170	11,743,725
Leasehold improvements	5,517,733	5,517,733
Total	64,901,498	64,449,263
Less accumulated depreciation and amortization	34,477,492	32,148,255
Net Property and Equipment	30,424,006	32,301,008
Other Assets		
Grants, pledges and other receivables (net of current portion and net of present value discount of $138,379 and $184,248 in 2020 and 2019, respectively)	1,991,747	3,188,572
Total Other Assets	1,991,747	3,188,572
TOTAL ASSETS	$ 62,114,895	$ 67,045,788

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 20120 and 2019

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities		
Accounts payable and accrued expenses	$ 2,088,125	$ 927,611
Deferred subscription and admission revenue	1,496,242	4,207,500
Bonds and promissory note payable- due within one year	599,657	573,391
Total current liabilities	4,184,024	5,708,502
Long-term liabilities		
Bonds and promissory note payable - long term, net of unamortized issuance cost	24,478,287	25,004,161
Accrued expenses - long term	460,771	527,035
Total liabilities	29,123,082	31,239,698
Net Assets		
Without Donor Restrictions		
Undesignated	(1,047,614)	(428,648)
Board Designated	24,199,004	25,022,838
Net assets without donor restrictions	23,151,390	24,594,190
With Donor Restrictions	9,840,423	11,211,900
Total net assets	32,991,813	35,806,090
TOTAL LIABILITIES AND NET ASSETS	$ 62,114,895	$ 67,045,788

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020 (summarized information for the year ending August 31, 2019)

	Without Restriction					
	Annual Operations	Designated	Total	With Restriction	Total	**2019**
REVENUES						
Admissions						
Subscriptions	$ 1,482,001	$ -	$ 1,482,001	$ -	$ 1,482,001	3,664,011
Individual and group ticket sales	4,208,939	-	4,208,939	-	4,208,939	7,291,234
Total admissions	5,690,940	-	5,690,940	-	5,690,940	10,955,245
Public support	6,139,228	417,849	6,557,077	1,090,080	7,647,157	6,990,539
Paycheck Protection Program grant revenue	2,381,400	-	2,381,400	-	2,381,400	-
Net investment income (loss), net of investment fees of $54,498	71,236	1,884,197	1,955,433	531,075	2,486,508	315,018
Concessions income, net of expenses of $340,979	42,994	-	42,994	-	42,994	178,127
Royalty income	1,040	-	1,040	-	1,040	5,795
Facilities, costume and scenery rentals, net of expense $12,480	76,980	-	76,980	-	76,980	72,490
Tour and production income	3,500	-	3,500	-	3,500	-
Miscellaneous income	36,769	-	36,769	-	36,769	199,375
Total Revenues	14,444,087	2,302,046	16,746,133	1,621,155	18,367,288	18,716,589
Net Assets Released from Restrictions	2,053,684	938,948	2,992,632	(2,992,632)	-	-
Investments Designated for Operations	1,232,000	(1,232,000)	-	-	-	-
Total Revenues and Net Assets Released from Restrictions	17,729,771	2,008,994	19,738,765	(1,371,477)	18,367,288	18,716,589
EXPENSES						
Program Services						
Direct Expenses						
Artistic	3,383,630	1,320,730	4,704,360	-	4,704,360	6,501,892
Production	3,421,650	935,517	4,357,167	-	4,357,167	6,114,735
General artistic	1,543,835	-	1,543,835	-	1,543,835	1,533,373
Education	589,959	-	589,959	-	589,959	699,099
General production	1,843,281	-	1,843,281	-	1,843,281	1,286,189
Total Program Services	10,782,355	2,256,247	13,038,602	-	13,038,602	16,135,288
Supporting Services						
General and administrative	3,105,017	412,728	3,517,745	-	3,517,745	3,956,294
Fundraising	1,706,136	163,853	1,869,989	-	1,869,989	2,180,206
Advertising and subscription	2,755,229	-	2,755,229	-	2,755,229	3,769,916
Total Supporting Services	7,566,382	576,581	8,142,963	-	8,142,963	9,906,416
Total Expenses	18,348,737	2,832,828	21,181,565	-	21,181,565	26,041,704
CHANGE IN NET ASSETS	(618,966)	(823,834)	(1,442,800)	(1,371,477)	(2,814,277)	(7,325,115)
NET ASSETS - BEGINNING OF YEAR	(428,648)	25,022,838	24,594,190	11,211,900	35,806,090	43,131,205
NET ASSETS - END OF YEAR	$ (1,047,614)	$ 24,199,004	$ 23,151,390	$ 9,840,423	$ 32,991,813	$ 35,806,090

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2020 with Summarized Comparative Totals for the Year Ending August 31, 2019

	Program Services						Supporting Services							
	Artistic	Production	General Artistic	Education	General Production	Total Program Services	General and Administration	Advertising and Subscription	Fundraising	Total Supporting Expenses	Total 2020 Expenses		Total 2019 Expenses	
Salaries and wages	$ 1,171,178	$ 1,863,654	$ 950,503	$ 337,155	$ 1,489,158	$ 5,811,648	$ 2,059,712	$ 1,410,035	$ 908,825	$ 4,378,572	$ 10,190,220	48.1 %	$ 11,639,698	44.7 %
Payroll taxes and employee benefits	515,889	428,800	143,527	58,219	204,175	1,350,610	406,599	176,434	155,131	738,164	2,088,774	9.9	2,348,382	9.0
Advertising	-	-	-	-	-	-	-	790,346	-	790,346	790,346	3.7	1,766,255	6.8
Royalties	241,197	-	-	-	-	241,197	-	-	-	-	241,197	1.1	535,546	2.1
Contract fees and expenses	786,044	1,734	388,773	172,889	-	1,349,440	141,531	-	16,548	158,079	1,507,519	7.1	1,691,597	6.5
Costumes	-	130,091	-	-	-	130,091	-	-	-	-	130,091	0.6	277,915	1.1
Electrical equipment	-	47,463	-	-	-	47,463	-	-	-	-	47,463	0.2	67,551	0.3
Props and scenery	-	377,489	-	-	-	377,489	-	-	-	-	377,489	1.8	696,530	2.7
Travel, housing and entertainment	155,932	7,510	34,993	8,223	3,018	209,676	44,607	8,295	1,941	54,843	264,519	1.2	413,866	1.6
Insurance	33,835	48,496	-	-	-	82,331	79,131	-	2,115	81,246	163,577	0.8	163,576	0.6
Repairs and maintenance	118,028	120,750	-	-	3,474	242,252	42,494	-	7,377	49,871	292,123	1.4	286,197	1.1
Supplies and non-depreciable equipment	42,272	20,613	26,039	1,433	23,978	114,335	142,312	273,474	95,118	510,904	625,239	3.0	878,275	3.4
Postage	-	-	-	119	-	119	14,922	86,031	22,985	123,938	124,057	0.6	166,176	0.6
Rental	109,052	77,246	-	-	20,420	206,718	34,079	-	6,816	40,895	247,613	1.2	243,137	0.9
Depreciation and amortization	1,040,182	819,051	-	-	99,058	1,958,291	284,677	10,614	75,625	370,916	2,329,207	11.0	2,400,252	9.2
Phone campaign	-	-	-	-	-	-	-	-	171,240	171,240	171,240	0.8	143,402	0.6
Benefit and other event expense	-	-	-	-	-	-	-	-	160,747	160,747	160,747	0.8	465,634	1.8
Utilities	128,975	158,012	-	-	-	286,987	40,305	-	8,061	48,366	335,353	1.6	375,901	1.4
Security	55,478	39,297	-	-	-	94,775	17,337	-	3,467	20,804	115,579	0.5	217,500	0.8
Interest	278,101	196,988	-	-	-	475,089	163,536	-	17,381	180,917	656,006	3.1	873,547	3.4
Miscellaneous	28,197	19,973	-	11,921	-	60,091	46,503	-	216,612	263,115	323,206	1.5	390,767	1.5
Total	$ 4,704,360	$ 4,357,167	$ 1,543,835	$ 589,959	$ 1,843,281	$ 13,038,602	$ 3,517,745	$ 2,755,229	$ 1,869,989	$ 8,142,963	$ 21,181,565	100.0 %	$ 26,041,704	100.0 %

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ (2,814,277)	$ (7,325,115)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	2,329,207	2,400,252
Amortization of bond issuance cost	73,782	24,594
Unrealized (gain) loss on investments	(1,535,504)	1,033,319
Realized gain on investments	(402,249)	(569,594)
Change in noncash assets and liabilities		
Grants, pledges and other receivables	1,852,512	3,910,191
Prepaid expenses and deposits	1,180,079	(437,917)
Accounts payable and accrued expenses	1,160,514	157,509
Deferred subscription, admission revenue and rent	(2,777,522)	(15,412)
Net Cash Flows from Operating Activities	(933,458)	(822,173)
Cash Flows From Investing Activities		
Sales of investments	6,104,463	7,795,390
Purchases of investments	(5,470,058)	(4,952,619)
Purchases of equipment and leasehold improvements	(452,205)	(656,490)
Net Cash Flows from Investing Activities	182,200	2,186,281
Cash Flows From Financing Activities		
Issuance of bonds cost	-	(368,916)
Principal payments on bonds payable	(573,390)	(769,166)
Net Cash Flows from Financing activities	(573,390)	(1,138,082)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,324,648)	226,026
Cash and Cash Equivalents - Beginning of Year	1,983,648	1,757,622
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 659,000	$ 1,983,648
Supplemental Disclosure		
Cash paid for interest	$ 641,713	$ 848,952

See accompanying notes to financial statements.

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 and 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 presentation: 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 applicable to nonprofit organizations in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Revenue and expenses are reported on the accrual basis. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Theatre's financial statements for the year ended August, 31, 2019, from which the summarized information was derived.

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

- *Net Assets without donor restrictions*: are available for support of the Theatre's operations and are not subject to donor-imposed restrictions or restricted gifts whose restrictions were met during the year. Net assets without donor restriction are further segregated into annual operations and designated. Annual Operations represents the undesignated operating activity of the Theatre.

- *Net Assets with donor restrictions* – are subject to donor-imposed restrictions expected to be met either by actions of the Theatre or passage of time. This includes amounts subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity with the investment income on the principal used for the specified purpose outlined by the donor.

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 net assets with donor restriction to net assets without donor restriction 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, 2020 and 2019, the Theatre has allowances totaling $200,000.

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. Investments are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect amounts reported.

Property and Equipment: Equipment with a cost in excess of $600 capitalized 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. Leasehold improvements are amortized over the shorter of the remaining lease term or ten years, using the straight-line method. Depreciation and amortization expense for the years ended August 31, 2020 and 2019, was $2,329,207 and $2,400,252 respectively.

Admission Revenue: Ticket sales and subscription revenue 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.

Paycheck Protection Program Refundable Advance: Funding received under the Paycheck Protection Program (PPP) was considered a nonexchange transaction and was recognized as the conditions of the PPP agreement have been met. Funding received in advance of conditions being met was recorded as a refundable advance, until recognized when the conditions were met. See Note 5 for additional information on terms and conditions of the PPP agreement.

Advertising costs: The Theatre follows the policy of expensing advertising and marketing costs when incurred. For the years ended August 31, 2020 and 2019, advertising related costs amount to $2,755,229 $3,769,916, respectively.

Impairment or Disposal of Long-lived Assets: The Theatre reviews the recoverability of long-lived assets, including buildings, equipment, and internal use software, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long lived assets, as well as other fair value determinations. There were no impairment losses recorded in 2020 or 2019.

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.

Functional Allocation of Expenses: The cost of providing the program and other activities have been presented on a functional basis in the statement of functional expenses. Cost are charged to program services and supporting services on an actual basis when available. Accordingly, certain cost have been allocated among the programs and supporting services on bases and estimates determined by management.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Facility expenses (including salaries, occupancy, supplies and utilities), building depreciation, and debt service expenses of $4,434,999 and $4,628,333 for 2020 and 2019, respectively, are allocated based on square footage as follows:

Artistic	48%
Production	34%
Development	3%
General and Administrative	15%
Total	100%

Adoption of New Accounting Standard: As of September 1, 2019, the Theatre adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Theatre adopted the new standard on a modified prospective basis, and it impacted the recognition of certain contribution and grant agreements. Government grants now meet the criteria of a nonreciprocal (contribution) transaction and under conditional grants conditions must be met before revenue is recognized. The standard did not require a restatement of prior year amounts.

Upcoming Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Theatre's year ending August 31, 2021. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Theatre plans to apply the standard using the cumulative effect method and expects to have expanded disclosures as a result of the new standard.

In February 2016, the FASB) issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Theatre's year ending August 31, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have an effect on the Theatre's financial statements as a result of the Theatre's leases for building space classified as operating leases. Upon adoption, the Theatre will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the changes in net assets are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR). The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of the ASU are effective upon issuance (March 2020) and generally can be applied through December 31, 2022. The Theatre has not yet been contacted by the bank to change the rate.

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, 2020 and 2019.

Impact of COVID-19: On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

In response to the pandemic declaration, on March 13, 2020 the Theatre closed its facilities to the public to comply with state and local health and safety standards. Additionally, the annual Gala, which was to be held in May 2020, was transitioned into a virtual format. Admissions revenue from the date of closure through August 31, 2020 were approximately $5,264,000 lower than the comparable period the prior fiscal year. This revenue loss was offset by the PPP loan and unrestricted contributions totaling $3,038,000 more than the comparable prior year period. In addition, operating expenses in the last quarter of fiscal year 2020 were approximately $4,860,000 lower than the prior year due to the elimination or reduction of expenditures where possible.

Continued restrictions on public gathering size make in person engagement activities financially unfeasible during this pandemic. Before fiscal year end, management evaluated operating structures and made the strategic decision to fulfill its mission to connect people to theatre arts with virtual performances. In July 2020, a reduction in force of 37.5 percent was implemented and cost reduction strategies continued. Strong donor support continues, and the virtual “No Gala” gala held in May 2020 resulted in net revenues comparable to the prior year.

No impairments were recorded as of the statement of financial position date; however, due to uncertainty surrounding the situation, management's judgment regarding this could change in the future. While management reasonably expects the COVID-19 outbreak to negatively impact the Theatre’s financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including December 28, 2020, which is the date the financial statements were available to be issued.

(Continued)

NOTE 2 – FAIR VALUE MEASUREMENTS (Continued)

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.

In many cases, a valuation technique used to measure fair value included inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. Investments using Net Asset Value (NAV) per share (or its equivalent) as a fair value expedient have not been classified in the fair value hierarchy. These investments are presented as "NAV" in the following tables to permit reconciliation of the fair value hierarchy table to the total investments at fair value presented in the statement of financial position. 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.

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, 2020 and 2019.

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 that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

(Continued)

NOTE 2 – FAIR VALUE MEASUREMENTS (Continued)

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.

Alternative investments: The Theatre's investment in alternative investments consists of three hedge fund portfolios. One fund with an approximate fair value of $1,312,000 and $1,216,000 as of August 31, 2020 and 2019, respectively. Is an umbrella type investment company that is structured as an umbrella fund with segregated liability between "sub-funds", which engage in a variety of investment strategies. The Theatre may redeem all or a part of its participating shares from the fund quarterly, upon 30 days advance written notice. The second fund, with an approximate fair value of $1,364,000 and $1,304,000 as of August 31, 2020 and 2019, respectively, is a limited partnership fund, which invests in and sells short securities and instruments. The Theatre may redeem all or a part of its participating shares from the partnership quarterly, upon 90 days advance written notice. The third fund with a residual investment balance at 2019, with an approximate value of $48,000 as of August 31 2019, was transferred as of August 31, 2020. There are no unfunded commitments at August 31, 2020.

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.

The following table presents information about the Theatre's assets measured at fair value on a recurring basis as of August 31, 2020:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Fixed income funds					
U.S. fixed income	$ 5,675,273	$ -	$ -	$ -	$ 5,675,273
Non U.S. fixed income	1,708,160	-	-	-	$ 1,708,160
Equity funds					
U.S. equity	8,485,003	-	-	-	$ 8,485,003
Non U.S. equity	6,340,718	-	-	-	$ 6,340,718
Alternative Investments		-	-	2,675,446	$ 2,675,446
Cash and cash equivalents	1,534,968	-	-	-	$ 1,534,968
Total	$ 23,744,122	$ -	$ -	$ 2,675,446	$ 26,419,568

(Continued)

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, 2019:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Fixed income funds					
U.S. fixed income	$ 7,242,143	$ -	$ -	$ -	$ 7,242,143
Non U.S. fixed income	1,827,665	-	-	-	1,827,665
Equity funds					
U.S. equity	7,991,114	-	-	-	7,991,114
Non U.S. equity	5,452,714	-	-	-	5,452,714
Alternative Investments		-	-	2,568,108	2,568,108
Cash and cash equivalents	34,476	-	-	-	34,476
Total	$ 22,548,112	$ -	$ -	$ 2,568,108	$ 25,116,220

The Theatre's policy is to recognize transfers in and transfers out of Level 1, 2 and 3 fair value classifications at the end of the reporting period. As of August 31, 2020 and 2019, there were no such transfers.

NOTE 3 – GRANTS, PLEDGES, AND OTHER RECEIVABLES

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

	2020	2019
Grants and pledges:		
Goodman Excellence Campaign	$ 2,619,697	$ 3,759,646
Individuals	964,392	1,174,731
Government	20,000	50,000
Foundations	556,250	715,000
Corporations	177,500	478,032
Gross grants and pledges	4,337,839	6,177,409
Less: Unamortized discount	(138,379)	(184,248)
Allowance for uncollectible pledges	(200,000)	(200,000)
Other receivables	70,736	129,547
Total Receivables	4,070,196	5,922,708
Less current portion	2,078,449	2,734,136
Non-current portion	$ 1,991,747	$ 3,188,572

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 approximately $1,255,000, which is due beyond five years.

The Goodman Excellence Campaign 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.

(Continued)

NOTE 3 – GRANTS, PLEDGES, AND OTHER RECEIVABLES (Continued)

Pledges receivables have been discounted using rates ranging from 0.12% to 0.15%. Amortization of the discount is reported as public support in the statement of activities. Contributions receivable at August 31, 2020 and 2019, from related parties, which represents donations made by board members, were $2,108,787 and $3,190,646, respectively.

NOTE 4 – INVESTMENT INCOME

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

	2020	2019
Interest and dividends - Net	$ 548,755	$ 778,753
Realized gains	402,249	569,594
Unrealized gains (losses)	1,535,504	(1,033,319)
Total	$ 2,486,508	$ 315,028

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of $1,232,000 and $1,118,000 for 2020 and 2019, respectively. For fiscal year 2020 and 2019, the distribution represents 6.0% and 4.7% of a three-year rolling average of the investment market value. The distribution of 6.0% includes an additional 2.0% board approved distribution to respond to the pandemic discussed in Note 2.

Additionally, the statement of activities reflects a distribution from donor imposed restricted investment for the purpose of specific program activities. The distribution is approved at 4% of a three year rolling average of the investment market value. For the fiscal year ending 2020 and 2019, the distribution is $200,875 and $142,000, respectively.

The Chicago Community Trust (CCT) holds investments valued at approximately $1,903,000 and $1,803,000 at August 31, 2020 and 2019, respectively, in a designated endowment fund whereby the Theatre is named beneficiary of its income. CCT distributed $70,644 and $34,884 in fiscal years ended August 31, 2020 and 2019, respectively. The Theatre has not reflected an asset on its statement of financial position for a beneficial interest because this is a designated trust for which the CCT has variance power to redirect the benefits.

(Continued)

NOTE 5 – PAYCHECK PROTECTION PROGRAM

The Theatre received a Paycheck Protection Program (PPP) term note through a financial institution of $2,381,400. The note was issued pursuant to the Coronavirus Aid, Relief and Economic Security (CARES) Act's PPP. The note structure required organization officials to certify certain statements that permitted the Theatre to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Theatre uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will be required to be paid back by the Theatre in full by April 2022 in equal monthly principal payments plus interest at 1.00 percent.. The Theatre has the right to prepay any amount outstanding at any time without penalty. This loan helped the Theatre fund payroll and benefits.

While the legal form of the PPP agreement is a loan, the Theatre concluded the loan represents, in substance, a grant that is expected to be forgiven and therefore has accounted for the agreement as a conditional contribution. The primary measurable barrier that must be substantially overcome before the contribution can be considered unconditional and recorded as revenue is to incur eligible expenses. The Theatre has determined that the FTE Reduction Safe Harbor under the PPP Flexibility Act of 2020 is applicable.

As the barrier was met as of August 31, 2020, the full balance of the loan or $2,381,400 is recognized as grant revenue on the statement of activities.

NOTE 6 – BOND/MORTGAGE PAYABLE

On May 8, 2019, the Theatre restructured its debt previously held with Fifth Third Bank. The new debt agreement was signed by PNC Bank.

	2020	2019
Series 2015, payable in 2043	$ 21,975,184	$ 22,471,847
Promissory note	3,373,299	3,450,000
Less: issuance costs net of amortization	(270,539)	(344,322)
	$ 25,077,944	$ 25,577,525

The following outlines the debt structure:

Series 2015: $22,471,874 direct bond purchase agreement. The variable rate revenue bonds held by Illinois Finance Authority were issued to refund and retire existing bonds originally issued in 1999 to build the new theatre facility. The new bonds carry a 24-year term with escalating principal payments due October 1 of each year plus interest with the final payment due October 1, 2043. The interest rate is variable equal to the sum of 79% of the One Month LIBOR, plus the initial applicable spread. The interest rate at the end of August, 31, 2020 and 2019 was 1.32% and 2.96%, respectively.

(Continued)

NOTE 6 – BOND/MORTGAGE PAYABLE

Promissory Note: The original note in the amount of $3,450,000 retires original line of credit used to build out the new Goodman Center for Education and Engagement. The facility carries a 5-year term with escalating payments due on October 1 of each year plus interest stated at LIBOR plus 1.60% with the final payment due October 1, 2024. The interest rate was 1.75% and 3.82% for the years ending August 31, 2020 and 2019, respectively. The term loan is collateralized by the Goodman Center for Education and Engagement.

Outstanding issued debt is shown net of debt issuance costs of $368,916, less accumulated amortization of $98,378 and $24,594 in 2020 and 2019, respectively. Management is amortizing cost over the five year term of the promissory note.

The agreements contain four financial covenants. The Unrestricted Liquid Assets to Debt Ratio will be not less than 0.80:1.0; a maximum annual operation deficit not to exceed ($625,000); annual unfunded capital expenditures less than or equal to $500,000; and no additional debt less than or equal to $250,000 without prior consent. For the year ended August 31, 2020, all covenants were met, except for maximum annual operation. The bank issued a waiver for the maximum annual operation covenant at August 31, 2020.

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

2021	$ 599,658
2022	632,866
2023	661,567
2024	691,569
2025	3,656,860
Thereafter	18,835,424
	$ 25,077,944

NOTE 7 – LINE OF CREDIT

On June 3, 2020, the Theatre entered into a line of credit agreement with a bank with available borrowings of up to $4,000,000 as of August 31, 2020. Interest is payable monthly at a rate of 2.5 percent above London Interbank Offered Rate (LIBOR) (an effective rate of 2.58 percent as of August 31, 2020). The line of credit is collateralized by the Goodman Center for Education and Engagement. The line of credit expires on June 3, 2021. Management intends to renew the agreement upon expiration. No balance was outstanding on the line as of August 31, 2020. There was no interest expense incurred on the line of credit for 2020.

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NOTE 8 – LEASES

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. This space houses the Goodman Center for Education and Engagement. On April 13, 2017, the Theatre signed an amendment to the office lease to include an additional 2,422 sq. ft. on the second floor of the building located at 60 W. Randolph Street Chicago Illinois. Lease term is the same as the original lease agreement signed on September 1, 2015. Future minimum lease payments for this lease are as follows:

2021	$ 298,568
2022	303,679
2023	308,790
2024	313,901
2025	319,012
Thereafter	460,416
	$2,004,366

Note 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ended August 31, 2020 and 2019 are as follows:

	2020	2019
Specific purpose:		
New Works	$ 5,000,000	$ 5,000,000
Subject to expenditures for a specified purpose or passage of time	4,840,423	6,211,900
	$ 9,840,423	$ 11,211,900

The $5.0 million Davee Foundation fund is permanently restricted by the donor. The purpose of the grant is to provide support for and endow a fund for new works. Based on the agreement, income from the fund no more than 4% is to be used to support the development and production of new works. During the fiscal year, the Theatre used $200,875 and $142,000 based on the grant outline for the years ended August 31, 2020 and 2019, respectively.

Net assets released from net assets with donor restrictions are as follows:

	2020	2019
New works	$ 2,791,757	$ 4,976,730
Pledges receivables	200,875	142,000
	$ 2,992,632	$ 5,118,730

(Continued)

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects Chicago Theatre Group's financial assets as of August 31, 2020 and 2019, reduced by amounts not available for general use within one year of the statement of the financial position dates because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside by donor restriction.

Financial Assets at Year End:	**2020**	**2019**
Cash and cash equivalents	$ 659,000	$ 1,983,648
Grants, pledges and other receivables	4,070,196	5,922,708
Investments	26,419,568	25,116,219
Total Financial Assets	**31,148,764**	**33,022,575**
Less: amounts not available to be used within one year:		
Donor Time Restricted - Grants, pledges and other	(1,991,747)	(3,188,572)
Donor Restricted	(5,000,000)	(5,000,000)
Board Designated net of approximate spending policy withdrawal	(20,134,394)	(23,521,468)
Financial assets available to meet general expenditures over the next twelve months	**$ 4,022,623**	**$ 1,312,535**

Chicago Theatre Group's goal is to maintain financial assets to meet annual general operating expenses. General expenses normally average $2.0 million monthly depending on nature of programming activity which varies each year.

The Theatre's board of directors have identified the investment account to be utilized to cover short term and capital expenditures in negative cash flow periods. The funds are invested for long-term appreciation. This investment account is utilized to meet working capital needs, while continuing to outreach to donors, foundations, corporations and board of directors to meet needs. The reductions amounting to $20.1 million and $23.5 million noted as "board designated" for 2020 and 2019, respectively, are available for use at the discretion of the board.

(Continued)

NOTE 11 – DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS

The Theatre's endowment includes one donor-restricted endowment fund and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Theatre is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditures.

Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the Theatre had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Theatre considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Theatre has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Theatre considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Theatre and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Theatre
- The investment policies of the Theatre

The Investment Committee of the Board of Trustees establishes policies and procedures concerning the management of the endowment funds that are approved by the Board of Trustees. 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. 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.

(Continued)

NOTE 11 – DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (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, 2020 and 2019, unrealized gains and losses from the board-designated funds are classified as net assets without donor restrictions. For the years ended August 31, 2020 and 2019, the unappropriated unrealized gains and losses from the donor-restricted endowment funds are classified as net assets with donor restrictions.

The Theatre's Board has approved a spending policy which allows for the spending of interest, dividends and accumulated gains earned on the invested assets to support operations for both 2020 and 2019. The target spending for qualified distributions from the endowment in any calendar year should be up to 6% of the assets annually based on a rolling twelve-quarter (three year) average market value upon Board approval. Actual spending rates were 6.00% and 4.75% for 2020 and 2019, respectively. The 6.00% spending rate includes an additional 2.00% board approved distribution to respond to the pandemic discussed in Note 2. Consistent with the donor-restricted endowment agreement, the Theatre has a policy of appropriating for distribution each year up to 4% of the assets annually based on a rolling twelve-quarter (three year) average market value upon Board approval. These policies allow for the preservation of principal, competitive investment returns, and moderate investment risk.

(Continued)

NOTE 11 – DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended August 31, 2020 and 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at August 31, 2018	$ 27,075,953	$ 5,090,135	$ 32,166,088
Investment return			
Investment income, net	555,224	151,736	706,960
Net appreciation (realized and unrealized)	(375,609)	(92,270)	(467,879)
Total investment return	179,615	59,466	239,081
Contributions received	-	-	-
Appropriations of endowment assets for expenditure			
Allocation to annual fund	(1,118,000)	(142,000)	(1,260,000)
Spending on endowments	(1,114,730)	-	(1,114,730)
Endowment net assets at August 31, 2019	25,022,838	5,007,601	30,030,440
Investment return			
Investment income, net	403,598	128,360	531,958
Net appreciation (realized and unrealized)	1,535,132	402,679	1,937,811
Total investment return	1,938,730	531,039	2,469,769
Contributions received	-	-	-
Appropriations of endowment assets for expenditure			
Allocation to annual fund	(1,232,000)	(200,875)	(1,432,875)
Spending on endowments	(1,530,564)	-	(1,530,564)
Endowment net assets at August 31, 2020	$ 24,199,004	$ 5,337,765	$ 29,536,770

(Continued)

NOTE 12 – 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 $118,399 and $213,694, for the years ended August 31, 2020 and 2019, respectively. Each of these plans requires contributions calculated as a percentage of gross wages of covered employees, at a weighted average of 10.54% of payroll for each year. The Theater's contributions and pension benefits payable under the plans and the administration of the plans are determined by the terms of the related collective-bargaining agreements. The multi-employer plans pose different risks to the Theater than single-employer plans in the following respects:

1. The Theater's contributions to the multi-employer plan may be used to provide benefits to all participating employees of the program, including those employed by other employers.

2. If a participating employer fails to make its required contributions, the unfunded obligations of the plan may be borne by the remaining participating employers.

3. If an employer chooses to stop participating in a multiemployer plan, the withdrawing company may be required to pay to the plan a final payment (the withdrawal liability).

As illustrated in the table below, the Theater participated in the following multi-employer plans for the year ended August 30, 2020. 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 2020 and 2019 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 Protection Act Zone Status		FIP/RP Status	Contributions		Expiration Date of Collective
Pension Fund	EIN/Pension Plan Number	2020	2019	Pending/ Implemented	2020	2019	Bargaining Agreement
Equity League	13-6696817/001	Green	Green	No	$ 72,212	$ 121,419	2/13/2022
American Federation of Musicians	51-6120204/001	Red	Red	Yes	-	27,412	8/31/2021
United Scenic Artists	13-7982707/001	Green	Green	No	34,890	52,659	6/30/2021
SDC-League	13-6634482/001	Red	Red	Yes	11,297	12,474	4/14/2022
				Total Contributions	$ 118,399	$ 213,964	

(Continued)

NOTE 12 – RETIREMENT PLANS (Continued)

Defined Contribution 401(k) Plan

During 1998, 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 did not approve a contribution for the years ended August 31, 2020 and 2019.

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