Chicago Theatre Group, Inc.

Financial Report

August 31, 2022

Contents

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Independent Auditor's Report

To the Board of Trustees
Chicago Theatre Group, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chicago Theatre Group, Inc. (the "Theatre"), which comprise the statements of financial position as of August 31, 2022 and the related statement of activities, schedule of functional expenses, and statements of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Theatre as of August 31, 2022 and the changes in its 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Theatre and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Theatre's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Chicago Theatre Group, Inc.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Theatre's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Theatre's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Theatre's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022 on our consideration of the Theatre's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Theatre's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Theatre's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 2, 2022

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2022 and 2021

ASSETS

	2022	2021
Current Assets		
Cash and cash equivalents	$ 430,692	$ 2,813,377
Grants, pledges and other receivables (net of allowance for uncollectible pledges of $62,525 and $0 in 2022 and 2021 respectively)	1,170,851	1,723,682
Prepaid expenses and deposits	1,242,293	866,850
Total Current Assets	2,843,836	5,403,909
Noncurrent Investments	24,390,054	29,923,550
Property and Equipment		
Building	47,651,595	47,651,595
Equipment	14,098,234	11,789,699
Leasehold improvements	5,517,733	5,517,733
Construction in progress	-	1,903,205
Total	67,267,562	66,862,232
Less accumulated depreciation and amortization	39,068,716	36,778,263
Net Property and Equipment	28,198,846	30,083,969
Other Assets		
Grants, pledges and other receivables (net of current portion and net of present value discount of $133,647 and $5,914 in 2022 and 2021, respectively)	3,845,379	1,813,588
Total Other Assets	3,845,379	1,813,588
TOTAL ASSETS	$ 59,278,115	$ 67,225,016

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2022 and 2021

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable and accrued expenses	$ 1,053,121	$ 1,660,015
Contract liabilities	3,309,965	4,743,307
Refundable advances	-	1,617,875
Bonds and promissary note payable - due within one year	661,568	632,866
Total current liabilities	5,024,654	8,654,063
Long-term liabilities		
Bonds and promissory note payable - long term, net of unamoritzed issuance cost	23,331,418	23,919,203
Accrued expenses - long term	316,528	390,602
Total liabilities	28,672,600	32,963,868
Net Assets		
Without Donor Restriction		
Undesignated	638,677	(782,111)
Board Designated	19,358,958	25,651,885
Total unrestricted net assets	19,997,635	24,869,774
With Donor Restriction	10,607,880	9,391,374
Total net assets	30,605,515	34,261,148
TOTAL LIABILITIES AND NET ASSETS	$ 59,278,115	$ 67,225,016

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022 (summarized information for the Year Ended August 31, 2021)

	Without Restriction					
	Annual Operations	Designated	Total	With Restriction	Total	2021
REVENUES						
Admissions						
Subscriptions	$ 2,287,246	$ -	$ 2,287,246	$ -	$ 2,287,246	$ 802
Individual and group ticket sales	5,630,582	-	5,630,582	-	5,630,582	294,380
Total admissions	7,917,828	-	7,917,828	-	7,917,828	295,182
Public support	7,319,374	34,653	7,354,027	3,383,216	10,737,243	6,830,424
Paycheck Protection Program grant revenue	-	-	-	-	-	2,000,000
Government Support	4,844,588	-	4,844,588	-	4,844,588	2,687,317
Net investment income (loss), net of investment fees of $47,169	73,311	(2,768,721)	(2,695,410)	(780,663)	(3,476,073)	4,357,730
Concessions income, net of expenses of $274,136	4,340	-	4,340	-	4,340	(44,466)
Facilities, costume and scenery rentals	60,518	-	60,518	-	60,518	15,402
Miscellaneous income	782,191	-	782,191	-	782,191	4,446
Total Revenues	21,002,150	(2,734,068)	18,268,082	2,602,553	20,870,635	16,146,035
Net Assets Released from Restrictions	1,136,047	50,000	1,186,047	(1,186,047)	-	-
Investments Designated for Operations	1,200,000	(1,000,000)	200,000	(200,000)	-	-
Total Revenues and Net Assets Released from Restrictions	23,338,197	(3,684,068)	19,654,129	1,216,506	20,870,635	16,146,035
EXPENSES						
Program Services						
Direct Expenses						
Artistic	5,006,962	1,213,731	6,220,693	-	6,220,693	2,750,203
Production	4,938,337	859,726	5,798,063	-	5,798,063	1,981,806
General artistic	1,505,658	-	1,505,658	-	1,505,658	1,515,598
Education	789,113	-	789,113	-	789,113	571,421
General production	1,262,523	-	1,262,523	-	1,262,523	1,253,085
Total Program Services	13,502,593	2,073,457	15,576,050	-	15,576,050	8,072,113
Supporting Services						
General and administrative	3,591,236	379,291	3,970,527	-	3,970,527	3,489,888
Advertising and subscription	2,788,586		2,788,586		2,788,586	1,725,912
Fundraising	2,034,994	156,111	2,191,105	-	2,191,105	1,588,787
Total Supporting Services	8,414,816	535,402	8,950,218	-	8,950,218	6,804,587
Total Expenses	21,917,409	2,608,859	24,526,268	-	24,526,268	14,876,700
CHANGE IN NET ASSETS	1,420,788	(6,292,927)	(4,872,139)	1,216,506	(3,655,633)	1,269,335
NET ASSETS - Beginning of Year	(782,111)	25,651,885	24,869,774	9,391,374	34,261,148	32,991,813
NET ASSETS - END OF YEAR	$ 638,677	$ 19,358,958	$ 19,997,635	$ 10,607,880	$ 30,605,515	$ 34,261,148

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

SCHEDULE OF FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Year Ended August 31, 2022 with Summarized Comparative Totals for the Year Ended August 31, 2021

	Program Services						Supporting Services							
	Direct Expenses													
	Artistic	Production	General Artistic	Education	General Production	Total Program Services	General and Administration	Advertising and Subscription	Fundraising	Total Supporting Expenses	Total 2022 Expenses		Total 2021 Expenses	
Salaries and wages	$ 1,910,626	$ 2,570,033	$ 930,258	$ 407,588	$ 919,575	$ 6,738,080	$ 2,386,356	$ 1,146,429	$ 852,487	$ 4,385,272	$ 11,123,352	45.4 %	$ 6,648,503	44.7 %
Payroll taxes employee benefits	639,804	473,093	141,791	63,689	162,183	1,480,560	443,455	181,608	173,841	798,904	2,279,464	9.3	1,417,802	9.5
Advertising	-	-	-	-	-	-	-	1,128,591	-	1,128,591	1,128,591	4.6	284,620	1.9
Royalties	226,346	-	-	-	-	226,346	-	-	-	-	226,346	0.9	63,565	0.4
Fees and expenses	964,080	36,398	397,417	179,149	-	1,577,044	401,885	-	771	402,656	1,979,700	8.1	1,088,979	7.3
Costumes	-	170,809	-	-	-	170,809	-	-	-	-	170,809	0.7	12,150	0.1
Electrical equipment	-	152,651	-	7,949	-	160,600	-	-	-	-	160,600	0.7	6,674	0.0
Props and scenery	-	809,498	-	-	-	809,498	-	-	-	-	809,498	3.3	306,980	2.1
Travel, housing and entertainment	436,453	1,913	27,766	7,127	2,784	476,043	42,901	4,327	2,784	50,012	526,055	2.1	96,131	0.6
Health and safety	88,114	15,084		3,549		106,747	6,655		1,331	7,986	114,733	0.5	-	0.0
Insurance	23,598	39,723	-	4,720	-	68,041	90,328	-	1,770	92,098	160,139	0.7	142,201	1.0
Repairs and maintenance	216,860	263,374	-	43,372	6,049	529,655	84,975	-	16,264	101,239	630,894	2.6	212,465	1.4
Supplies and non-depreciable equipment	196,278	27,134	8,426	8,793	67,816	308,447	200,164	222,024	71,384	493,572	802,019	3.3	500,039	3.4
Postage	-	-	-	-	-	-	6,863	95,297	8,228	110,388	110,388	0.5	19,776	0.1
Rental	91,842	78,066	-	18,368	15,872	204,148	34,441	-	6,888	41,329	245,477	1.0	220,701	1.5
Depreciation and amortization	1,015,457	759,830	-	4,083	88,244	1,867,614	340,304	10,310	72,227	422,841	2,290,455	9.3	2,300,711	15.5
Phone campaign	-	-	-	-	-	-	-	-	148,823	148,823	148,823	0.6	144,661	1.0
Benefit and other event expense	-	-	-	-	-	-	-	-	552,782	552,782	552,782	2.3	111,763	0.8
Utilities	97,115	163,662	-	19,423	-	280,200	36,418	-	7,284	43,702	323,902	1.3	233,078	1.6
Security	75,224	63,941	-	15,045	-	154,210	28,209	-	5,642	33,851	188,061	0.8	14,121	0.1
Interest	214,314	151,806				366,120	66,779		13,395	80,174	446,294	1.8	411,957	2.8
Miscellaneous	24,582	21,048	-	6,258	-	51,888	(199,206)	-	255,204	55,998	107,886	0.4	639,825	4.3
Total	$ 6,220,693	$ 5,798,063	$ 1,505,658	$ 789,113	$ 1,262,523	$ 15,576,050	$ 3,970,527	$ 2,788,586	$ 2,191,105	$ 8,950,218	$ 24,526,268	100.0 %	$ 14,876,702	100.0 %

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ (3,655,633)	$ 1,269,335
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	2,290,453	2,300,771
Amortization of bond issuance cost	73,782	73,782
Unrealized loss (gain) on investments	4,471,176	(2,806,056)
Realized gain on investments	(383,376)	(996,415)
Change in noncash assets and liabilities		
Grants, pledges and other receivables	(1,478,960)	532,926
Prepaid expenses and deposits	(375,443)	(324,725)
Accounts payable and accrued expenses	(680,968)	866,721
Refundable advances	(1,617,875)	1,617,875
Contract liabilities	(1,433,342)	1,882,065
Net Cash Flows from Operating Activities	(2,790,186)	4,416,279
Cash Flows From Investing Activities		
Sales of investments	7,694,341	7,701,854
Purchases of investments	(6,248,824)	(7,403,365)
Purchases of equipment and leasehold improvements	(405,330)	(1,960,734)
Net Cash Flows from Investing Activities	1,040,187	(1,662,245)
Cash Flows From Financing Activities - Principal payments on bonds payable	(632,686)	(599,657)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,382,685)	2,154,377
Cash and Cash Equivalents - Beginning of Year	2,813,377	659,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 430,692	$ 2,813,377
Supplemental Disclosure		
Cash paid for interest	$ 411,957	$ 364,540

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, 2021, 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.

Public Support and Related Receivables: 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 pledges as of year-end and determines allowances as appropriate. The Theatre has an allowance of $62,525 as of August 31, 2022. There is no allowance recorded as of August 31, 2021.

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, 2022 and 2021, was $2,290,453 and $2,300,711 respectively.

Contract Liabilities: Contract liabilities consist of amounts received by and intended for and to be recognized as revenue in future periods, including payments for subscriptions, admissions, and events.

Revenue Recognition for Contracts with Customers – Admissions: The Theatre sells tickets to patrons for a production performance with a specified date and time. The Theatre recognizes revenue as the performance obligation is met, which occurs when patrons present tickets for entry. The transaction price is calculated as the amount of consideration to which the Theatre expects to be entitled (price of the subscription or ticket set in advance). Payment is received at the point of sale. All payments are generally nonrefundable. During the uncertainty of current times, the Theatre allows for credits/refunds. In some situations, the Theatre collects cash prior to the satisfaction of the performance obligation, which results in the Theatre recognizing contract liabilities upon receipt of payment. Total contract liabilities were $1,496,242 as of September 1, 2020.

Government Support: Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met specific to stimulus pandemic relief. Grant funding received in advance of conditions being met is recorded as a refundable advance. See Note 5 for additional information on conditions of the grants received.

Advertising Costs: The Theatre follows the policy of capitalizing advertising and marketing costs related to the annual subscription campaign and amortizing them, using the straight-line method, over the related subscription period. Capitalized direct-response advertising costs were $79,331 and $20,604 as of August 31, 2022 and 2021, respectively, and are presented as prepaid expenses and deposits on the statement of financial position. All other advertising and marketing costs are expensed when incurred. For the years ended August 31, 2022 and 2021, total advertising costs amounted to $1,128,591 and $284,260, 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 2022 or 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Costs are charged to program services and supporting services on an actual basis when available. Accordingly, certain costs have been allocated among the programs and supporting services on bases and estimates determined by management.

Facility expenses (including salaries, occupancy, supplies and utilities), building depreciation, and debt service expenses of $4,650,917 and $3,856,422 for 2022 and 2021, respectively, are allocated based on square footage as follows:

Artistic	40%
Production	34%
Education	8%
Development	3%
General and Administrative	15%
Total	100%

Upcoming Accounting Pronouncements: 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, which is approximately $1,400,000. 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.

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, 2022 and 2021.

*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.

As of August 31, 2022, the Theatre has started to emerge from the conditions that hampered operations for the last two fiscal years. During the year, the Omicron outbreak had a negative impact on operations resulting in nearly $1 million in lost revenues from cancelled shows and refunded tickets. An increase in expenses and uncertainty were offset by government assistance including Shuttered Venue Operating Grant specific to live operators, theatres, and cultural organizations as disclosed in Note 5.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including December 2, 2022, which is the date the financial statements were available to be issued.

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.

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, 2022 and 2021.

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.

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 $1,242,000 and $1,180,000 as of August 31, 2022 and 2021, 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 $1,094,000 and $1,102,000 as of August 31, 2022 and 2021, respectively, is a limited partnership fund, which invests in and sells short securities and instruments.

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, 2022:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Fixed income funds					
U.S. fixed income	$ 6,386,048	$ -	$ -	$ -	$ 6,386,048
Non U.S. fixed income	2,086,313	-	-	-	$ 2,086,313
Equity funds					
U.S. equity	8,849,365	-	-	-	$ 8,849,365
Non U.S. equity	4,550,030	-	-	-	$ 4,550,030
Alternative Investments		-	-	2,335,561	$ 2,335,561
Cash and cash equivalents	182,737	-	-	-	$ 182,737
Total	$ 22,054,493	$ -	$ -	$ 2,335,561	$ 24,390,054

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, 2021:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Fixed income funds					
U.S. fixed income	$ 7,295,123	$ -	$ -	$ -	$ 7,295,123
Non U.S. fixed income	2,107,424	-	-	-	2,107,424
Equity funds					
U.S. equity	11,100,345	-	-	-	11,100,345
Non U.S. equity	5,839,971	-	-	-	5,839,971
Alternative Investments		-	-	2,282,123	2,282,123
Cash and cash equivalents	1,298,564	-	-	-	1,298,564
Total	$ 27,641,427	$ -	$ -	$ 2,282,123	$ 29,923,550

NOTE 3 – GRANTS, PLEDGES, AND OTHER RECEIVABLES

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

	2022	2021
Grants and pledges:		
Goodman Excellence Campaign	$ 1,429,502	$ 1,479,502
Individuals	575,976	786,226
Government	154,000	615,208
Foundations	2,263,750	471,750
Corporations	132,500	145,000
Gross grants and pledges	4,555,728	3,497,686
Less: Unamortized discount	(133,647)	(5,914)
Allowance for uncollectible pledges	(62,525)	-
Other receivables	656,674	45,498
Total Receivables	5,016,230	3,537,270
Less current portion	1,170,851	1,723,682
Non-current portion	$ 3,845,379	$ 1,813,588

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

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

Pledges receivables have been discounted using rates ranging from 3.30% to 3.50%. Amortization of the discount is reported as public support in the statement of activities. Contributions receivable at August 31, 2022 and 2021, from related parties, which represents donations made by board members, were $1,485,873 and $1,767,289, respectively.

NOTE 4 – INVESTMENT INCOME

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

	2022	2021
Interest and dividends	$ 611,727	$ 555,259
Realized gains	383,376	996,415
Unrealized (losses) gains	(4,471,176)	2,806,056
Total	$ (3,476,073)	$ 4,357,730

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of approximately $1,000,000 and $802,000 for 2022 and 2021, respectively. For fiscal year 2022 and 2021, the distribution represents 4.7% and 3.7% of a three-year rolling average of the investment market value.

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 2022 and 2021, the distribution is $200,000 for each of the respective years.

The Chicago Community Trust (CCT) holds investments valued at approximately $1,900,000 and $2,285,000 at August 31, 2022 and 2021, respectively, in a designated endowment fund whereby the Theatre is named beneficiary of its income. CCT distributed $73,160 and $71,578 in fiscal years ended August 31, 2022 and 2021, 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.

NOTE 5 – GOVERNMENT SUPPORT AND PAYCHECK PROTECTION PROGRAM

During 2021, Chicago Theatre Group was awarded a Shuttered Venue Operators Grant (SVOG) in the amount of $3,217,875. The federal relief program was part of the American Rescue Plan Act of March 2021. Eligible entities included live venue operators, theatrical producers, live performing arts organization operators and others. The funds are recognized under grant revenue. The grant is a nonexchange transaction. Grant funds can be used towards salaries, health benefits, production cost, contractual cost, and refunds due to the pandemic. During 2022, a supplemental award of $2,608,937 was granted, increasing the total award to $5,826,812. For the years ended August 31, 2022 and 2021, the Theatre recognized revenue of $4,226,812 and $1,600,000, respectively, for allowable expenditures incurred. There were no remaining refundable advances as of August 31, 2022. The refundable advances as of August 31, 2021 amounted to $1,617,875.

The Theatre also took advantage of the refundable tax credit, Employee Retention Tax Credit (ERTC), offered to business who met one or both of the following criteria: forced to partially or fully suspend or limit operations by a governmental order or experienced a 50% decline in gross receipts during any quarter in 2020 versus the same quarter in 2019. The purpose was to encourage businesses to keep employees on payroll. For the years ended August 31, 2022 and 2021, the Theatre recognized revenue of $617,776 and $1,087,317, respectively.

Also related to governmental support is recognition of funding received in prior years under the Paycheck Protection Program (PPP). For this conditional, nonexchange transaction, the barriers were met as of August 31, 2021, therefore the Theatre recognized the full balance of the second PPP loan draw of $2,000,000 as grant revenue.

The SBA approved forgiveness for the full amount of the initial loan and the second loan in June 2021 and December 2021, respectively. The SBA has the ability to review the Theatre’s loan file for a period subsequent to the date the loan is forgiven and could request additional documentation to support the Theatre’s initial eligibility for the loan and request for loan forgiveness. While management considered the likelihood of further action unlikely, in the event the SBA subsequently determines that the Theatre did not meet the initial eligibility requirements, the Theatre could be required to repay the draws on the PPP loans plus interest.

NOTE 6 – BOND/MORTGAGE PAYABLE

Debt held with PNC Bank is as follows:

	2022	2021
Series 2015, payable in 2043	$ 20,906,732	$ 21,455,730
Promissory note	3,209,226	3,293,094
Less: issuance costs net of amortization	(122,972)	(196,755)
	$ 23,992,986	$ 24,552,069

NOTE 6 – BOND/MORTGAGE PAYABLE (Continued)

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. 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, 2022 and 2021 was 2.55% and 1.27%, respectively.

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%, which was 3.97% and 1.69% for the years ending August 31, 2022 and 2021, respectively. The term loan is collateralized by the Goodman Center for Education and Engagement.

Debt issuance costs of $368,916, less $245,944 and $172,161 of accumulated amortization in 2022 and 2021, respectively, is shown net with outstanding issued debt. 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, 2022, all covenants were met.

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

2023	$ 661,568
2024	691,570
2025	3,656,860
2026	655,443
2027	685,134
Thereafter	17,765,383
	$ 24,115,958

NOTE 7 – LINE OF CREDIT

On June 3, 2020, the Theatre entered into a renewable 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). The line of credit is collateralized by the investment account. The line of credit expires on December 3, 2022. Management intends to renew the agreement upon expiration. No balance was outstanding on the line as of August 31, 2022 or 2021. Interest expense incurred of $0 and $2,685 on the line of credit during 2022 and 2021, respectively.

NOTE 8 – LEASES

On September 1, 2015, the Theatre entered into a lease with original rent payment term from March 2016 through January 2027 (with base rent payments commencing in March 2016 (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:

2023	$ 308,790
2024	313,901
2025	319,012
2026	324,123
2027	136,293
	$ 1,402,119

Note 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ended August 31, 2022 and 2021 are as follows:

	2022	2021
Specific purpose:		
New Works	$ 5,000,000	$ 5,000,000
Subject to expenditures for operations or passage of time:		
Fund 1	3,726,216	1,479,047
Fund 2	1,881,664	3,112,327
	$ 10,607,880	$ 9,591,374

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. The Theatre used $200,000 based on the grant outline for both years August 31, 2022 and 2021.

Fund 2 includes pledges from the Goodman Excellence Campaign (see Note 3) and earnings on the New Works endowment which are subject to board approval for expenditure. Fund 1 includes all other pledges and grants receivable (see Note 3).

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

	2022	2021
Pledges receivables	$ 986,047	$ 2,290,504
New works	200,000	200,000
	$ 1,186,047	$ 2,490,504

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.

	2022	2021
Financial Assets at Year End:		
Cash and cash equivalents	$ 430,692	$ 2,813,377
Grants, pledges and other receivables	5,016,230	3,537,270
Investments	24,390,054	29,923,550
Total Financial Assets	**29,836,976**	**36,274,197**
Less: amounts not available to be used within one year:		
Donor Time Restricted - Grants, pledges and other	(3,845,379)	(1,813,588)
Donor Restricted	(5,000,000)	(5,000,000)
Board Designated net of approximate spending policy withdrawal	(18,226,651)	(23,428,137)
Financial assets available to meet general expenditures over the next twelve months	**$ 2,764,946**	**$ 6,032,472**

Chicago Theatre Group's goal is to maintain financial assets to meet annual general operating expenses. General expenses normally average $2.5 to $3.0 million monthly depending on nature of programming activity which varies each year and during normal activity

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 maximize ticket sales, in addition to outreach to donors, foundations, corporations and board of directors to meet needs. The reductions amounting to $18.2 million and $23.4 million noted as "board designated" for 2022 and 2021, respectively, are available for use at the discretion of the board.

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.

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, 2022 and 2021 unrealized gains and losses from the board-designated funds are classified as net assets without donor restrictions. For the years ended August 31, 2022 and 2021, 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 on the invested assets to support operations for both 2022 and 2021. 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 4.7% and 3.7% for 2022 and 2021, respectively. 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.

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

Changes in endowment net assets for the years ended August 31, 2022 and 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at August 31, 2020	$ 24,199,004	$ 5,337,765	$ 29,536,769
Investment return			
Investment income, net	399,024	138,165	537,189
Net appreciation (realized and unrealized)	2,974,463	814,868	3,789,331
Total investment return	3,373,487	953,033	4,326,520
Contributions received	-	-	-
Appropriations of endowment assets for expenditure			
Allocation to annual fund	(801,516)	(200,000)	(1,001,516)
Spending on endowments	(1,119,090)	(9,570)	(1,128,660)
Endowment net assets at August 31, 2021	25,651,885	6,081,228	31,733,114
Investment return			
Investment income, net	450,887	134,698	585,585
Net appreciation (realized and unrealized)	(3,172,439)	(915,361)	(4,087,800)
Total investment return	(2,721,552)	(780,663)	(3,502,215)
Contributions received		-	-
Appropriations of endowment assets for expenditure			
Allocation to annual fund	(1,000,000)	(200,000)	(1,200,000)
Spending on endowments	(2,571,375)	(10,738)	(2,582,113)
Endowment net assets at August 31, 2022	$ 19,358,958	$ 5,089,827	$ 24,448,786

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 $192,165 and $37,271, for the years ended August 31, 2022 and 2021, 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 years ended August 30, 2022 and 2021. 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 2021 and 2020 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. Management is in the process of negotiating an extension of the collective bargaining agreement with the American Federation of Musicians.

NOTE 12 – RETIREMENT PLANS (Continued)

Pension Fund	EIN/Pension Plan Number	Protection Act 2022	Protection Act 2021	FIP/RP Status Pending/ Implemented	Contributions 2022	Contributions 2021	Expiration Date of Collective Bargaining Agreement
Equity League	13-6696817/001	Green	Green	No	$ 105,011	$ 19,103	2/13/2023
American Federation of Musicians	51-6120204/001	Red	Red	Yes	28,092	792	8/31/2022
SAG/AFTRA	95-3967876/001	Green	Green	No	1,161	5,399	3/31/2025
United Scenic Artists	13-7982707/001	Green	Green	No	43,608	6,802	8/9/2023
SDC-League	13-6634482/001	Red	Red	Yes	14,293	5,175	4/14/2024
				Total Contributions	$ 192,165	$ 37,271	

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, 2022 and 2021.