Chicago Theatre Group, Inc.

Financial Report
with Supplemental Information
August 31, 2018

Contents

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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 the statement of financial position as of August 31, 2018 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2018 and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 5 to the financial statements, subsequent to year end, the Theatre is in the process of refinancing the bonds and line of credit. Additionally, as the Theatre did not meet a financial covenant as of August 31, 2018, the debt balance is considered current. Our opinion is not modified with respect to this matter.

Report on Prior Year Financial Statements

The financial statements of Chicago Theatre Group, Inc. as of and for the year ended August 31, 2017 were audited by other auditors, whose report dated December 15, 2017 expressed an unqualified opinion on those statements.

Plante & Moran, PLLC

March 7, 2019

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2018 and 2017

ASSETS

	2018	2017
Current Assets		
Cash and cash equivalents	$ 1,757,622	$ 2,628,594
Grants, pledges and other receivables (net of allowance for uncollectible pledges of $200,000 in 2018 and 2017)	4,210,718	3,117,015
Prepaid expenses	1,284,287	1,950,593
Total Current Assets	7,252,627	7,696,202
Noncurrent Investments	28,422,719	27,364,364
Property and Equipment		
Building	47,187,805	47,187,805
Equipment	11,087,234	10,883,168
Leasehold improvements	5,517,733	4,029,845
Construction in progress	-	114,138
Total	63,792,772	62,214,956
Less accumulated depreciation and amortization	29,748,003	27,489,592
Net Property and Equipment	34,044,769	34,725,364
Other Assets		
Grants, pledges and other receivables (net of current portion and net of present value discount of $401,490 and $516,130 in 2018 and 2017, respectively)	5,622,181	7,376,225
Total Other Assets	5,622,181	7,376,225
TOTAL ASSETS	$ 75,342,296	$ 77,162,155

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2018 and 2017

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable and accrued expenses	$ 707,744	$ 748,812
Deferred subscription and admission revenue	4,222,912	4,533,499
Bonds and line of credit payable - due within one year	26,691,042	1,478,084
Total current liabilities	31,621,698	6,760,395
Long-term liabilities		
Bonds and line of credit payable - long term	-	27,375,671
Other accrued expenses	589,393	657,590
Total liabilities	32,211,091	34,793,656
Net Assets		
Unrestricted - annual operations	939,458	925,874
Unrestricted - board designated	27,075,953	29,399,119
Total unrestricted net assets	28,015,411	30,324,993
Temporarily restricted	10,115,794	12,043,506
Permanently restricted	5,000,000	-
Total net assets	43,131,205	42,368,499
TOTAL LIABILITIES AND NET ASSETS	$ 75,342,296	$ 77,162,155

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

	Unrestricted					
	Annual Operations	Designated	Total	Temporarily Restricted	Permanently Restricted	Total
REVENUES						
Admissions						
Subscriptions	$ 3,803,140	$ -	$ 3,803,140	$ -	$ -	$ 3,803,140
Individual and group ticket sales	6,299,360	-	6,299,360	-	-	6,299,360
Total admissions	10,102,500	-	10,102,500	-	-	10,102,500
Public support	6,015,260	24,720	6,039,980	2,118,063	5,000,000	13,158,043
Net investment income	1,562,433	417,754	1,980,187	159,184	-	2,139,371
Concessions income, net of expenses of $318,754	186,106	-	186,106	-	-	186,106
Royalty income	3,578	-	3,578	-	-	3,578
Costume and scenery sales/rentals	238,057	-	238,057	-	-	238,057
Miscellaneous income	187,819	-	187,819	-	-	187,819
Total revenues	18,295,753	442,474	18,738,227	2,277,247	5,000,000	26,015,474
Net Assets Released from Restrictions	2,858,725	1,346,234	4,204,959	(4,204,959)	-	-
Total Revenues and Net Assets Released from Restrictions	21,154,478	1,788,708	22,943,186	(1,927,712)	5,000,000	26,015,474
EXPENSES						
Program Services						
Direct expenses						
Artistic	4,174,700	1,388,311	5,563,011	-	-	5,563,011
Advertising and subscription	3,769,853	-	3,769,853	-	-	3,769,853
Production	4,598,937	983,387	5,582,324	-	-	5,582,324
General artistic	2,398,453	-	2,398,453	-	-	2,398,453
General production	1,267,624	-	1,267,624	-	-	1,267,624
Total Program Services	16,209,567	2,371,698	18,581,265	-	-	18,581,265
Supporting Services						
General and administrative	2,859,287	1,349,685	4,208,972	-	-	4,208,972
Fundraising	2,072,040	390,491	2,462,531	-	-	2,462,531
Total Supporting Services	4,931,327	1,740,176	6,671,503	-	-	6,671,503
Total Expenses	21,140,894	4,111,874	25,252,768	-	-	25,252,768
CHANGE IN NET ASSETS	13,584	(2,323,166)	(2,309,582)	(1,927,712)	5,000,000	762,706
NET ASSETS - BEGINNING OF YEAR	925,874	29,399,119	30,324,993	12,043,506	-	42,368,499
NET ASSETS - END OF YEAR	$ 939,458	$ 27,075,953	$ 28,015,411	$ 10,115,794	$ 5,000,000	$ 43,131,205

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017

	Unrestricted				
	Annual Operations	Designated	Total	Temporarily Restricted	Total
REVENUES					
Admissions					
Subscriptions	$ 3,874,244	$ -	$ 3,874,244	$ -	$ 3,874,244
Individual and group ticket sales	5,803,836	-	5,803,836	-	5,803,836
Total admissions	9,678,080	-	9,678,080	-	9,678,080
Public support	6,938,208	166,806	7,105,014	3,206,346	10,311,360
Net investment income	1,629,891	1,292,454	2,922,345	-	2,922,345
Concessions income, net of expenses of $326,223	275,128	-	275,128	-	275,128
Royalty income	6,608	-	6,608	-	6,608
Costume and scenery sales/rentals	164,891	-	164,891	-	164,891
Tour and production income	97,000	-	97,000	-	97,000
Miscellaneous income	451,052	-	451,052	-	451,052
Total revenues	19,240,858	1,459,260	20,700,118	3,206,346	23,906,464
Net Assets Released from Restrictions	1,225,349	2,179,209	3,404,558	(3,404,558)	-
Total Revenues and Net Assets Released from Restrictions	20,466,207	3,638,469	24,104,676	(198,212)	23,906,464
EXPENSES					
Program Services					
Direct expenses					
Artistic	4,700,135	1,320,109	6,020,244	-	6,020,244
Advertising and subscription	3,800,570	-	3,800,570	-	3,800,570
Production	4,946,343	935,077	5,881,420	-	5,881,420
General artistic	2,199,376	-	2,199,376	-	2,199,376
General production	1,232,710	-	1,232,710	-	1,232,710
Total Program Services	16,879,134	2,255,186	19,134,320	-	19,134,320
Supporting Services					
General and administrative	2,833,106	916,406	3,749,512	-	3,749,512
Fundraising	1,640,160	840,493	2,480,653	-	2,480,653
Total Supporting Services	4,473,266	1,756,899	6,230,165	-	6,230,165
Total Expenses	21,352,400	4,012,085	25,364,485	-	25,364,485
CHANGE IN NET ASSETS	(886,193)	(373,616)	(1,259,809)	(198,212)	(1,458,021)
NET ASSETS - BEGINNING OF YEAR	1,812,067	29,772,735	31,584,802	12,241,718	43,826,520
NET ASSETS - END OF YEAR	$ 925,874	$ 29,399,119	$ 30,324,993	$ 12,043,506	$ 42,368,499

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	$ 762,706	$ (1,458,021)
Adjustments to reconcile change in net assets		
to net cash flows from operating activities		
Depreciation and amortization	2,258,411	2,204,806
Unrealized gain on investments	(66,945)	(1,707,449)
Realized gain on investments	(1,465,640)	(602,626)
Contributions restricted for endowment	(5,000,000)	-
Change in noncash assets and liabilities		
Grants, pledges and other receivables	660,341	1,263,986
Prepaid expenses and deposits	666,306	238,717
Accounts payable and accrued expenses	(99,215)	(736,420)
Deferred subscription and admission revenue	(310,587)	(84,019)
Net Cash Flows from Operating Activities	(2,594,623)	(881,026)
Cash Flows From Investing Activities		
Sales of investments	13,762,967	8,803,713
Purchases of investments	(13,288,737)	(4,503,742)
Purchases of equipment and leasehold improvements	(1,587,866)	(1,304,069)
Net Cash Flows from Investing Activities	(1,113,636)	2,995,902
Cash Flows From Financing Activities		
Collections of contributions restricted for endowment	5,000,000	-
Proceeds of Line of Credit	-	663,352
Principal payments on bonds payable	(2,162,713)	(617,920)
Net Cash Flows from Financing activities	2,837,287	45,432
Net Decrease in Cash and Cash Equivalents	(870,972)	2,160,308
Cash and Cash Equivalents - Beginning of Year	2,628,594	468,286
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,757,622	$ 2,628,594
Supplemental Disclosure		
Cash paid for interest	$ 827,695	$ 774,141
Construction in process included in accounts payable	$ -	$ 10,050

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 Accounting: The Theatre follows current authoritative accounting guidance relating to financial statements of not-for-profit organizations. Under this guidance, the Theatre is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenue and expenses are reported on the accrual basis.

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

- *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions or restricted gifts whose restrictions were met during the year. Unrestricted net assets are further segregated into annual operations and designated. Annual Operations represents the undesignated operating activity of the Theatre. Designated includes funds designated by the Board of Trustees primarily for the New Goodman Theatre project.

- *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed restrictions expected to be met either by Theatre actions or passage of time.

- Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. As of August 31, 2018, permanently restricted net assets amounted to $5,000,000. There were no permanently restricted net assets as of August 31, 2017.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash and highly liquid short-term investments with maturities of three months or less at the date of acquisition. The Theatre maintains deposits with financial institutions that exceed the federally insured limit of $250,000. The Theatre believes it is not exposed to any significant credit risk on its uninsured deposits.

Grants and Pledges Receivable: Contributions, including cash and noncash assets, as well as reasonably collectible unconditional promises to give, are recognized in the year received.

Conditional promises to give, which depend on the occurrence of specified future and uncertain events to bind the promise, are recognized when the conditions on which they depend are substantially met.

When donor restrictions expire (i.e., when a stipulated time restriction ends or other restriction is met), the Theatre reports the change from temporarily restricted net assets to unrestricted net assets as net assets released from restrictions in the statements of activities.

The Theatre analyzes all uncollected amounts as of year-end and determines allowances as appropriate. As of August 31, 2018 and 2017, the Theatre had 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.

Property and Equipment: Equipment with a cost in excess of $600 is 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, 2018 and 2017, was $2,258,411 and $2,204,806, 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.

Advertising costs: The Theatre follows the policy of expensing advertising and marketing costs when incurred. For the years ended August 31, 2018 and 2017, advertising related costs amounted to $3,769,853 and $3,800,570, respectively.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status: The Internal Revenue Service has determined that the Theatre is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax; however, any unrelated business income may be subject to taxation.

Reclassification: Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

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, 2019. 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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming Accounting Pronouncements (Continued): The Financial Accounting Standards Board (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, 2020 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 a significant 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.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Theatre, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Theatre's year ending August 31, 2019 and thereafter and must be applied on a retrospective basis. Management expects an impact to the classification of net assets and an enhancement of disclosures about functional expenses and liquidity, including qualitative and quantitative information.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-08, 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 accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Theatre's year ending August 31, 2019 and will be applied on a modified prospective basis. The Theatre does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

(Continued)

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 statements 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, 2018 and 2017.

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 $1,195,000 and $1,080,000 as of August 31, 2018 and 2017, 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 $1,197,000 and $1,107,000 as of August 31, 2018 and 2017, 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 an approximate fair value of $1,055,000 and $1,000,000 as if August 31, 2018 and 2017, respectively, is an exempted investment company organized for the purpose of trading and investing securities. This fund invests substantially all of its assets through a master-feeder structure that has the same investment objectives. The Theatre may redeem all or part of its participating shares from the partnership quarterly, upon 30 days advance written notice. There are no unfunded commitments as of August 31, 2018 or 2017.

Money market funds: Money market funds consist of investments in short-term, interest-bearing instruments and are carried at cost plus accrued interest, which approximates fair value.

(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, 2018:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Fixed income funds					
U.S. fixed income	$ 7,672,664	$ -	$ -	$ -	$ 7,672,664
Non U.S. fixed income	2,097,505	-	-	-	$ 2,097,505
Equity funds					
U.S. equity	8,938,334	-	-	-	$ 8,938,334
Non U.S. equity	6,244,377	-	-	-	$ 6,244,377
Alternative Investments	-	-	-	3,446,980	$ 3,446,980
Money market funds	22,859	-	-	-	$ 22,859
Total	$ 24,975,739	$ -	$ -	$ 3,446,980	$ 28,422,719

The following table presents information about the Theatre's assets measured at fair value on a recurring basis as of August 31, 2017:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Fixed income funds					
U.S. fixed income	$ 7,451,814	$ -	$ -	$ -	$ 7,451,814
Non U.S. fixed income	1,968,322	-	-	-	1,968,322
Equity funds					
U.S. equity	10,405,348	-	-	-	10,405,348
Non U.S. equity	4,313,864	-	-	-	4,313,864
Alternative Investments	-	-	-	3,186,753	3,186,753
Money market funds	38,263	-	-	-	38,263
Total	$ 24,177,611	$ -	$ -	$ 3,186,753	$ 27,364,364

The Theatre's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. As of August 31, 2018 and 2017, 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:

	2018	2017
Grants and pledges:		
Goodman Excellence Campaign	$ 6,157,993	$ 7,773,918
Individuals	1,642,163	1,477,148
Government	102,800	-
Foundations	1,377,000	1,205,000
Corporations	912,000	557,500
Gross grants and pledges	10,191,956	11,013,566
Less: Unamortized discount	(401,490)	(516,130)
Less: Allowance for uncollectible pledges	(200,000)	(200,000)
Other receivables	242,433	195,804
Total Receivables	9,832,899	10,493,240
Less current portion	4,210,718	3,117,015
Non-current portion	$ 5,622,181	$ 7,376,225

The current portion of the above is due in less than one year. The noncurrent portion is all due within one to five years with the exception of $1,200,000, which is due 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.

Pledges receivables have been discounted using rates ranging from 2.77% to 0.63%. Amortization of the discount is reported as public support in the statement of activities. Contributions receivable at August 31, 2018 and 2017, from related parties, which represents donations made by board members, were $4,094,206 and $5,259,863, respectively.

(Continued)

NOTE 4 – INVESTMENT INCOME

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

	2018	2017
Interest and dividends	$ 606,786	$ 612,270
Realized gains	1,465,640	602,626
Unrealized gains	66,945	1,707,449
Total	$ 2,139,371	$ 2,922,345

The statement of activities reflects a distribution of investment earnings from designated and restricted investments to annual operations of $1,561,300 for both 2018 and 2017. For fiscal year 2018 and 2017, the distribution represents 5.50% and 5.59% of a three year rolling average of the investment market value.

NOTE 5 – BONDS AND LINE OF CREDIT

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

Series 2015A: $18,000,000 direct bond purchase agreement. The 1999 bond issue was originally for the building of the new theater. This facility carries a 7 year term, amortized over 30 years at a fixed interest rate of 2.86%. The Theatre retired $742,145 and $486,791 of these bonds in 2018 and 2017, respectively. The balance outstanding of this bond as of August 31, 2018 is $16,530,271.

Series 2015B-1: $2,280,000 direct bond purchase agreement. The 2007 bond issue was originally for the purchase of the Goodman scene shop. This facility carries a 5 year term, amortized over 15 years at a variable rate of (Libor plus 342 bps) x 65%, or 3.58% and 3.02% for 2018 and 2017, respectively. The Theatre retired $145,568 and $131,129 of this debt in 2018 and 2017, respectively. The balance outstanding of this bond as of August 31, 2018 is $1,885,771.

Series 2015B-2: $4,400,000 is the balance of the 1999 bond issue. This facility carries a 7 year term, amortized over 4 years beginning on September 1, 2019 at a variable rate of (Libor plus 260 bps) x 65%, or 3.04% and 2.49% for 2018 and 2017, respectively. The balance outstanding of this bond as of August 31, 2018 is $4,400,000.

NOTE 5 – BONDS AND LINE OF CREDIT (Continued)

The Theatre entered into a $5,150,000 line of credit for the build out of the new Goodman Center for Education and Engagement. As of August 31, 2017, the Theatre had drawn $5,150,000 on this line of credit. In 2018, the draw period closed and the line of credit was converted to a term loan. The Theatre retired $1,275,000 of this debt in 2018. The balance outstanding on this term loan as of August 31, 2018 is $3,875,000. The facility carries a 7 year term, amortization to begin in year 3 at a variable rate of (Libor plus 169 bps), or 3.82% and 2.94% for 2018 and 2017, respectively. The term loan is collateralized by the Goodman Center for Education and Engagement.

The bond agreements contain various covenants. Management performs an ongoing evaluation of covenant compliance and believes that the Theatre is in compliance with all such covenants, except for the covenant requiring the debt service coverage ratio be greater than or equal to 1.10 to 1.00. The Theatre informed the Bank that the Theatre did not meet the debt service coverage ratio as of August 31, 2018.

On March 5, 2019 the Theatre signed a commitment letter to refinance the outstanding debt with PNC Bank. The closing date of this transaction is approximately 60 days after signing of the commitment letter. The new agreement will be a 5 year term and contain two financial covenants. The Unrestricted Liquid Assets to Debt Ratio will be not less than 0.75:1.0 for the period ending August 31, 2019 and the ratio increases to 0.80:1.0 for subsequent reporting periods; a maximum annual operation deficit not to exceed ($675,000) for the period ending August 31, 2019 and decreases to ($625,000) for subsequent reporting periods.

NOTE 6 – 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:

2019	288,346
2020	293,457
2021	298,568
2022	303,679
2023	308,790
Thereafter	1,093,329
	$2,586,169

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions received by the Theatre whereby the donor has specified the purpose or period for which the contribution may be used plus the accumulated investment returns on the restricted contributions. Net assets restricted for timing purposes are available for release to unrestricted net assets upon receipt of the respective pledge. Net assets restricted for endowment earnings are released upon appropriation. Temporarily restricted net assets as of August 31, 2018 and 2017 include the following:

	2018	2017
Time restriction	$ 10,025,659	$ 12,043,506
Endowment earnings - time restriction	90,135	-
Total	$ 10,115,794	$ 12,043,506

(Continued)

NOTE 8 – 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 Board of Trustees of the Theatre has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Theatre classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Theatre in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 8 – 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, 2018 and 2017, unrealized gains and losses from the board-designated funds are classified as unrestricted. For the year ended August 31, 2018, the unappropriated unrealized gains and losses from the donor-restricted endowment funds are classified as temporarily restricted.

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 2018 and 2017. 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 5.60% and 5.59% for 2018 and 2017, 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.

Endowment net assets composition by type of fund as of August 31, 2018 and 2017 are as follows:

	August 31, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 90,135	$ 5,000,000	$ 5,090,135
Board-designated funds	27,075,953	-	-	27,075,953
	$ 27,075,953	$ 90,135	$ 5,000,000	$ 32,166,088

	August 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated funds	$ 29,399,118	$ -	$ -	$ 29,399,118

NOTE 8 – DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended August 31, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at August 31, 2016	$ 29,772,735	$ -	$ -	$ 29,772,735
Investment return				
Investment income, net	543,737	-	-	543,737
Net appreciation (realized and unrealized)	2,310,016	-	-	2,310,016
Total investment return	2,853,753	-	-	2,853,753
Contributions received	1,471,732	-	-	1,471,732
Appropriations of endowment assets for expenditure				
Allocation to annual fund	(1,561,300)	-	-	(1,561,300)
Spending on endowments	(3,137,802)	-	-	(3,137,802)
Endowment net assets at August 31, 2017	29,399,119	-	-	29,399,119
Investment return				
Investment income, net	495,967	40,636	-	536,603
Net appreciation (realized and unrealized)	1,414,037	118,549	-	1,532,586
Total investment return	1,910,004	159,185	-	2,069,189
Contributions received	1,347,592	-	5,000,000	6,347,592
Appropriations of endowment assets for expenditure				
Allocation to annual fund	(1,492,250)	(69,050)	-	(1,561,300)
Spending on endowments	(4,088,512)	-	-	(4,088,512)
Endowment net assets at August 31, 2018	$ 27,075,953	$ 90,135	$ 5,000,000	$ 32,166,088

(Continued)

NOTE 9 – 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 $153,632 and $204,846, for the years ended August 31, 2018 and 2017, 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, 2018 and 2017. 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 2018 and 2017 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.

(Continued)

NOTE 9 – RETIREMENT PLANS (Continued)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions		Expiration Date of Collective Bargaining Agreement
		2017	2016		2018	2017	
Equity League	13-6696817/001	Green	Green	No	$ 101,878	$ 115,389	2/13/2022
American Federation of Musicians	51-6120204/001	Red	Yellow	Yes	303	33,979	8/31/2020
United Scenic Artists	13-7982707/001	Green	Green	No	43,254	45,396	6/30/2021
SDC-League	13-6634482/001	Yellow	Yellow	Yes	8,197	10,082	4/14/2022
				Total Contributions	$ 153,632	$ 204,846	

Defined Contribution 401(k) Plan

During 1999, the Board of Trustees approved the creation of the Theatre's 401(k) Plan (the "Plan"), a defined contribution plan. Employees voluntarily make contributions to the Plan in amounts based upon limits established by Sections 402(g) and 414(v) of the Internal Revenue Code. The Plan's assets are invested in certain self-directed income, money market and equity funds.

The Board of Trustees approved a 1% employer contribution of $72,828 for the year ended August 31, 2018 and a 1% employer contribution of $73,163 for the year ended August 31, 2017.

NOTE 10 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to August 31, 2018, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended August 31, 2018. There were no such subsequent events identified. Management has performed their analysis through March 7, 2019, which is the date that the financial statements were available to be issued.

(Continued)

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Independent Auditor's Report on Supplemental Information

To the Board of Trustees
Chicago Theatre Group, Inc.

We have audited the financial statements of Chicago Theatre Group, Inc. as of and for the year ended August 31, 2018 and have issued our report thereon dated March 7, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of general functional expenses - annual operations are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplemental information as of August 31, 2017 was audited by other auditors, whose report dated December 15, 2017 expressed an unqualified opinion on those statements.

Report on Prior Year Supplemental Information

The supplemental information of Chicago Theatre Group, Inc. as of and for the year ended August 31, 2017 was audited by other auditors, whose report dated December 15, 2017 expressed an unqualified opinion on that supplemental information.

Plante & Moran, PLLC

March 7, 2019

CHICAGO THEATRE GROUP, INC.

SCHEDULE OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Year Ended August 31, 2018 with Comparative Totals for 2017

	Program Services						Supporting Services						
	Direct Expenses												
	Artistic	Advertising and Subscription	Production	General Artistic	General Production	Total Program Services	General and Administration	Fundraising	Total Supporting Expenses	Total 2018 Expenses		Total 2017 Expenses	
Salaries, payroll taxes employee benefits	$ 2,193,006	$ 1,478,222	$ 3,119,129	$ 1,559,813	$ 1,089,218	$ 9,439,388	$ 2,115,632	$ 954,417	$ 3,070,049	$ 12,509,437	59.2 %	$ 13,119,829	61.4 %
Advertising	-	1,768,985	-	-	-	1,768,985	-	-	-	1,768,985	8.4	1,641,931	7.7
Royalties	373,421	-	-	-	-	373,421	-	-	-	373,421	1.8	357,547	1.7
Fees and expenses	844,710	55,505	3,349	664,382	-	1,567,946	78,930	295	79,225	1,647,171	7.8	1,393,337	6.5
Costumes	-	-	162,696	-	-	162,696	-	-	-	162,696	0.8	256,542	1.2
Electrical equipment	-	-	80,822	-	-	80,822	-	-	-	80,822	0.4	139,439	0.7
Props and scenery	-	-	713,820	-	-	713,820	-	-	-	713,820	3.4	960,354	4.5
Travel, housing and entertainmen	333,233	12,027	19,277	82,426	4,649	451,612	66,682	8,768	75,450	527,062	2.5	495,568	2.3
Insurance	-	-	-	-	-	-	153,278	-	153,278	153,278	0.7	145,522	0.7
Repairs and maintenance	11,488	-	52,085	-	8,589	72,162	4,352	718	5,070	77,232	0.4	97,173	0.5
Supplies and non-depreciable equipmen	58,208	327,275	36,453	58,630	73,444	554,010	137,042	114,750	251,792	805,802	3.8	922,170	4.3
Postage	-	108,089	-	793	182	109,064	4,063	34,854	38,917	147,981	0.7	143,749	0.7
Rental	108,124	-	76,588	-	29,675	214,387	33,789	6,758	40,547	254,934	1.2	215,719	1.0
Depreciation and amortizatior	249	3,750	93,203	3,850	61,867	162,919	28,466	1,891	30,357	193,276	0.9	227,040	1.1
Phone campaign	-	-	-	-	-	-	-	155,546	155,546	155,546	0.7	43,929	0.2
Benefit and other event expense	-	-	-	-	-	-	-	597,714	597,714	597,714	2.8	334,182	1.6
Utilities	130,819	-	154,782	-	-	285,601	40,881	8,176	49,057	334,658	1.6	345,693	1.6
Security	111,448	-	78,943	-	-	190,391	34,828	6,966	41,794	232,185	1.1	135,710	0.6
Miscellaneous	9,994	16,000	7,790	28,559	-	62,343	161,344	181,187	342,531	404,874	1.9	376,966	1.8
Total	$ 4,174,700	$ 3,769,853	$ 4,598,937	$ 2,398,453	$ 1,267,624	$ 16,209,567	$ 2,859,287	$ 2,072,040	$ 4,931,327	$ 21,140,894	100.0 %	$ 21,352,400	100.0 %

CHICAGO THEATRE GROUP, INC.

SCHEDULE OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Year Ended August 31, 2017

	Program Services						Supporting Services				
	Direct Expenses										
	Artistic	Advertising and Subscription	Production	General Artistic	General Production	Total Program Services	General and Administration	Fundraising	Total Supporting Expenses	Total 2017 Expenses	
Salaries, payroll taxes employee benefits	$ 2,791,736	$ 1,614,438	$ 3,090,148	$ 1,511,149	$ 1,057,387	$ 10,064,858	$ 2,127,074	$ 927,897	$ 3,054,971	$ 13,119,829	61.4 %
Advertising	-	1,641,931	-	-	-	1,641,931	-	-	-	1,641,931	7.7
Royalties	357,547	-	-	-	-	357,547	-	-	-	357,547	1.7
Fees and expenses	759,846	57,518	3,101	531,992	-	1,352,457	40,606	274	40,880	1,393,337	6.5
Costumes	-	-	256,542	-	-	256,542	-	-	-	256,542	1.2
Electrical equipment	-	-	139,439	-	-	139,439	-	-	-	139,439	0.7
Props and scenery	-	-	960,354	-	-	960,354	-	-	-	960,354	4.5
Travel, housing and entertainment	301,441	11,118	23,036	62,012	27,979	425,586	59,828	10,154	69,982	495,568	2.3
Insurance	-	-	-	-	-	-	145,522	-	145,522	145,522	0.7
Repairs and maintenance	11,561	-	71,839	-	9,057	92,457	3,993	723	4,716	97,173	0.5
Supplies and non-depreciable equipment	177,811	330,325	33,193	62,343	54,723	658,395	115,806	147,969	263,775	922,170	4.3
Postage	-	102,409	-	570	266	103,245	8,826	31,678	40,504	143,749	0.7
Rental	88,176	-	62,458	-	32,019	182,653	27,555	5,511	33,066	215,719	1.0
Depreciation and amortization	307	26,831	94,396	4,200	51,279	177,013	36,593	13,434	50,027	227,040	1.1
Phone campaign	-	-	-	-	-	-	-	43,929	43,929	43,929	0.2
Benefit and other event expense	-	-	-	-	-	-	-	334,182	334,182	334,182	1.6
Utilities	136,256	-	158,341	-	-	294,597	42,580	8,516	51,096	345,693	1.6
Security	65,141	-	46,141	-	-	111,282	20,357	4,071	24,428	135,710	0.6
Miscellaneous	10,313	16,000	7,355	27,110	-	60,778	204,366	111,822	316,188	376,966	1.8
Total	$ 4,700,135	$ 3,800,570	$ 4,946,343	$ 2,199,376	$ 1,232,710	$ 16,879,134	$ 2,833,106	$ 1,640,160	$ 4,473,266	$ 21,352,400	100.0 %