CHICAGO THEATRE GROUP, INC.
Chicago, Illinois

FINANCIAL STATEMENTS
August 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Chicago Theatre Group, Inc.
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Chicago Theatre Group, Inc. (the "Theatre"), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chicago Theatre Group, Inc. as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of general functional expenses – annual operations are presented for purposes 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.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
December 12, 2016

CHICAGO THEATRE GROUP, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 468,286	$ 1,028,022
Grants, pledges and other receivables (net of allowance for uncollectible pledges of $200,000 in 2016 and 2015, respectively)	3,339,897	3,184,340
Prepaid expenses	2,189,310	1,381,992
Total current assets	5,997,493	5,594,354
Noncurrent investments	29,354,260	27,146,537
Property and equipment		
Building	47,187,805	47,187,805
Equipment	9,683,188	9,274,921
Leasehold improvements	4,029,845	-
Construction in process	-	217,303
	60,900,838	56,680,029
Less: accumulated depreciation	25,284,787	23,392,282
Net property and equipment	35,616,051	33,287,747
Other assets		
Grants, pledges and other receivables (net of current portion and net of present value discount of $417,345 and $313,027 in 2016 and 2015, respectively)	8,417,329	5,714,821
Non-current prepaid expenses	-	109,395
Deposits	-	84,447
Total other assets	8,417,329	5,908,663
	$ 79,385,133	$ 71,937,301
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 1,546,237	$ 582,707
Deferred subscription and admission revenue	4,689,350	4,787,366
Bonds payable - due within one year	617,920	358,324
Total current liabilities	6,853,507	5,728,397
Long-term liabilities		
Bonds and line of credit payable - long-term	28,190,403	24,321,676
Deferred rent	408,073	-
Accrued expenses - long-term	106,630	-
Total liabilities	35,558,613	30,050,073
Net assets		
Unrestricted - annual operations	1,812,067	1,764,556
Unrestricted - board designated	29,772,735	29,339,196
Total unrestricted net assets	31,584,802	31,103,752
Temporarily restricted	12,241,718	10,783,476
Total net assets	43,826,520	41,887,228
Total liabilities and net assets	$ 79,385,133	$ 71,937,301

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.
STATEMENT OF ACTIVITIES
Year ended August 31, 2016

	Unrestricted				
	Annual Operations	Designated	Total	Temporarily Restricted	Total
Revenues					
Admissions					
Subscriptions	$ 4,290,115	$ -	$ 4,290,115	$ -	$ 4,290,115
Individual and group ticket sales	7,884,869	-	7,884,869	-	7,884,869
Total admissions	12,174,984	-	12,174,984	-	12,174,984
Public support	6,096,642	1,421,549	7,518,191	6,132,610	13,650,801
Net investment income	839,662	693,270	1,532,932	-	1,532,932
Concessions income, net of expenses of $396,707	250,143	-	250,143	-	250,143
Royalty income	1,984	-	1,984	-	1,984
Costume and scenery sales/rentals	179,239	-	179,239	-	179,239
Tour and production income	3,555,801	-	3,555,801	-	3,555,801
Miscellaneous income	147,674	-	147,674	-	147,674
Total revenues	23,246,129	2,114,819	25,360,948	6,132,610	31,493,558
Net assets released from restrictions	2,936,670	1,737,698	4,674,368	(4,674,368)	-
Total revenues and net assets released from restrictions	26,182,799	3,852,517	30,035,316	1,458,242	31,493,558
Expenses					
Program services					
Direct expenses					
Artistic	6,192,147	1,125,859	7,318,006	-	7,318,006
Advertising and subscription	4,128,922	-	4,128,922	-	4,128,922
Production	7,459,597	797,484	8,257,081	-	8,257,081
General artistic	2,187,246	-	2,187,246	-	2,187,246
General production	1,167,304	-	1,167,304	-	1,167,304
Total program services	21,135,216	1,923,343	23,058,559	-	23,058,559
Supporting services					
General and administrative	3,031,285	810,777	3,842,062	-	3,842,062
Fundraising	1,968,787	684,858	2,653,645	-	2,653,645
Total supporting services	5,000,072	1,495,635	6,495,707	-	6,495,707
Total expenses	26,135,288	3,418,978	29,554,266	-	29,554,266
Change in net assets	47,511	433,539	481,050	1,458,242	1,939,292
Net assets, beginning of year	1,764,556	29,339,196	31,103,752	10,783,476	41,887,228
Net assets, end of year	$ 1,812,067	$ 29,772,735	$ 31,584,802	$ 12,241,718	$ 43,826,520

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.
STATEMENT OF ACTIVITIES
Year ended August 31, 2015

	Unrestricted				
	Annual Operations	Designated	Total	Temporarily Restricted	Total
Revenues					
Admissions					
Subscriptions	$ 4,251,260	$ -	$ 4,251,260	$ -	$ 4,251,260
Individual and group ticket sales	5,086,986	-	5,086,986	-	5,086,986
Total admissions	9,338,246	-	9,338,246	-	9,338,246
Public support	6,263,214	1,097,682	7,360,896	8,515,112	15,876,008
Net investment income (loss)	792,256	(2,542,559)	(1,750,303)	-	(1,750,303)
Concessions income, net of expenses of $343,037	217,393	-	217,393	-	217,393
Royalty income	13,826	-	13,826	-	13,826
Costume and scenery sales/rentals	149,818	-	149,818	-	149,818
Tour and production income	1,336,682	-	1,336,682	-	1,336,682
Miscellaneous income	237,958	-	237,958	-	237,958
Total revenues	18,349,393	(1,444,877)	16,904,516	8,515,112	25,419,628
Net assets released from restrictions	1,424,325	651,693	2,076,018	(2,076,018)	-
Total revenues and net assets released from restrictions	19,773,718	(793,184)	18,980,534	6,439,094	25,419,628
Expenses					
Program services					
Direct expenses					
Artistic	4,406,313	880,799	5,287,112	-	5,287,112
Advertising and subscription	3,751,846	-	3,751,846	-	3,751,846
Production	4,370,693	623,899	4,994,592	-	4,994,592
General artistic	1,980,023	-	1,980,023	-	1,980,023
General production	1,101,561	-	1,101,561	-	1,101,561
Total program services	15,610,436	1,504,698	17,115,134	-	17,115,134
Supporting services					
General and administrative	2,762,586	599,208	3,361,794	-	3,361,794
Fundraising	1,898,785	609,551	2,508,336	-	2,508,336
Total supporting services	4,661,371	1,208,759	5,870,130	-	5,870,130
Total expenses	20,271,807	2,713,457	22,985,264	-	22,985,264
Change in net assets	(498,089)	(3,506,641)	(4,004,730)	6,439,094	2,434,364
Net assets, beginning of year	2,262,645	32,845,837	35,108,482	4,344,382	39,452,864
Net assets, end of year	$ 1,764,556	$ 29,339,196	$ 31,103,752	$ 10,783,476	$ 41,887,228

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.
STATEMENTS OF CASH FLOWS
For the years ended August 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 1,939,292	$ 2,434,364
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,892,507	1,757,915
Unrealized (gain) loss on investments	(1,316,779)	3,268,360
Realized loss (gain) on investments	298,486	(914,670)
Change in non-cash assets and liabilities		
Grants, pledges and other receivables	(2,858,065)	(4,924,589)
Prepaid expenses and deposits	(613,476)	151,841
Accounts payable and accrued expenses	1,070,160	(248,009)
Deferred subscription, admission revenue and rent	310,057	182,037
Net cash flows from operating activities	722,182	1,707,249
Cash flows from investing activities		
Sales of investments	19,662,562	21,792,286
Purchases of investments	(20,851,992)	(22,016,562)
Purchases of equipment and leasehold improvements	(4,220,811)	(419,295)
Net cash flows from investing activities	(5,410,241)	(643,571)
Cash flows from financing activities		
Payoff of bonds payable	(24,680,000)	-
Issuance of bonds payable	24,680,000	-
Proceeds from line of credit	4,486,647	-
Principal payments on bonds payable	(358,324)	(590,000)
Net cash flows from financing activities	4,128,323	(590,000)
Net (decrease) increase in cash and cash equivalents	(559,736)	473,678
Cash and cash equivalents, beginning of year	1,028,022	554,344
Cash and cash equivalents, end of year	$ 468,286	$ 1,028,022
Supplemental disclosure		
Cash paid for interest	$ 695,226	$ 293,688
Construction in process included in accounts payable	$ -	$ 54,401

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, including funds received from the City of Chicago under a redevelopment agreement.

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

- *Permanently Restricted Net Assets* - Net assets subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. The Theatre had no permanently restricted net assets at August 31, 2016 or 2015.

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, 2016 and 2015, the Theatre has allowances totaling $200,000.

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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, 2016 and 2015, was $1,892,507 and $1,757,915, 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, 2016 and 2015, advertising related costs amount to $4,128,922 and $3,751,846, 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.

Adoption of New Accounting Standard: In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)”. Under the amendments in this update, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, for non-public business entities, and provides an option for early adoption. The Theatre elected to adopt ASU 2015-07 as of and for the year ended August 31, 2016. Accordingly, investments for which fair value is measured using net asset value per share (or its equivalent) as a practical expedient have not been categorized within the fair value hierarchy.

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, 2016 and 2015.

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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 includes 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, 2016 and 2015.

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, including government agency and corporate bonds 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 two hedge fund portfolios, and were entered into during 2016. The Theatre was not invested in alternative investments during 2015. One fund, with an approximate fair value of $986,000 as of August 31, 2016, 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 $1,012,000 as of August 31, 2016, 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 Theatre generally uses the net asset value ("NAV"), but incorporates information such as historical and current performance of underlying assets, liquidity terms of the investment agreements, completed or pending transactions in the underlying or a comparable investment, and overall market conditions in determining valuations. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publically traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, or appraisals. There are no unfunded commitments at August 31, 2016.

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, 2016:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Fixed income funds					
U.S. fixed income	$ 8,456,253	$ -	$ -	$ -	$ 8,456,253
Non-U.S. fixed income	2,560,825	-	-	-	2,560,825
Equity funds					
U.S. equity	9,793,199	-	-	-	9,793,199
Non-U.S. equity	6,464,303	-	-	-	6,464,303
Alternative investments	-	-	-	1,998,192	1,998,192
Cash and cash equivalents	81,488	-	-	-	81,488
Total	$ 27,356,068	$ -	$ -	$ 1,998,192	$ 29,354,260

(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, 2015:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Fixed income funds					
U.S. fixed income	$ 9,054,169	$ -	$ -	$ -	$ 9,054,169
Non-U.S. fixed income	2,682,755	-	-	-	2,682,755
Equity funds					
U.S. equity	8,739,223	-	-	-	8,739,223
Non-U.S. equity	6,108,327	-	-	-	6,108,327
Cash and cash equivalents	562,063	-	-	-	562,063
Total	$ 27,146,537	$ -	$ -	$ -	$ 27,146,537

NOTE 3 - GRANTS, PLEDGES AND OTHER RECEIVABLES

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

	2016	2015
Grants and pledges		
Goodman Excellence Campaign	$ 10,143,228	$ 7,138,558
Individuals	808,275	846,054
Government	50,000	-
Foundations	639,000	915,500
Corporations	203,000	396,000
Gross grants and pledges	11,843,503	9,296,112
Less: Unamortized discount	(417,345)	(313,027)
Less: Allowance for uncollectible pledges	(200,000)	(200,000)
Other receivables	531,068	116,076
Total receivables	11,757,226	8,899,161
Less current portion	3,339,897	3,184,340
Non-current portion	$ 8,417,329	$ 5,714,821

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 fundraising effort to create an operating reserve. These amounts are not restricted and can be designated for use by the board as appropriate.

(Continued)

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

Pledges receivable have been discounted using rates ranging from 1.13% to 0.75%. Amortization of the discount is reported as a contribution in the statement of activities. Contributions receivable at August 31, 2016 and 2015, from related parties, which represents donations made by board members, were $6,383,258 and $6,990,250, respectively.

NOTE 4 - NONCURRENT INVESTMENTS

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

	2016	2015
Fixed income funds	$ 11,017,078	$ 11,736,924
Equity funds	16,257,502	14,847,550
Alternative investments	1,998,192	-
Cash and cash equivalents	81,488	562,063
Total	$ 29,354,260	$ 27,146,537

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

	2016	2015
Unrestricted		
Interest and dividends	$ 514,639	$ 603,387
Realized (losses) gains	(298,486)	914,670
Unrealized gains (losses)	1,316,779	(3,268,360)
Total	$ 1,532,932	$ (1,750,303)

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of $775,000 and $734,000 for 2016 and 2015, respectively. For fiscal year 2016 and 2015, the distribution represents 2.71% and 2.70% of a three-year rolling average of the investment market value.

(Continued)

NOTE 5 - BONDS/MORTGAGE PAYABLE

On January 1, 1999, the Illinois Development Finance Authority issued on behalf of the Theatre $24.1 million of Adjustable Rate Demand Revenue Bonds, Series 1999 (Goodman Theatre Project) (the "Bonds"), due December 1, 2033. Interest during the construction period of $1,754,909 incurred in connection with the offering was included in property as of August 31, 2015, and was being amortized on a straight-line basis over the life of the building.

The Bonds were secured by irrevocable transferable direct-pay letters of credit issued by JP Morgan Chase and The Northern Trust Company that were effective through the maturity date of the bonds. The Theatre retired $400,000 of these bonds in 2015. The remaining balance of the Amalgamated Bonds of $22,400,000 would be due through December of 2033 according to a payment schedule outlined by the Theatre's letter of credit.

The Bonds had adjustable methods of interest rate determination, demand features, and interest payment dates. The Bonds were in a floating rate mode, with interest being reset on a weekly basis. At August 31, 2015, the Bonds bore interest rates of 0.10%.

During 2007, the Theatre entered into an agreement with the Illinois Finance Authority and JP Morgan Chase Bank for a $3,800,000 tax-exempt mortgage to finance the purchase and renovation of a new scene shop at 363 West Pershing, Chicago, Illinois. The Theatre retired $190,000 of this mortgage in 2015. The balance outstanding of the mortgage as of August 31, 2015 was $2,280,000 with $190,000 considered due within one-year. The tax-exempt mortgage converted to a variable rate of 2.47% during 2015.

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 new debt structure:

> Series 2015A: $18,000,000 direct bond purchase agreement. The 1999 bond issue was originally for the building of the new theater. The facility carries a 7 year term, amortized over 30 years at a fixed interest rate of 2.86%. The Theatre retired $240,792 of these bonds in 2016. The balance outstanding of this bond as of August 31, 2016 is $17,759,208 with $486,791 considered due within one-year.
>
> Series 2015B-1: $2,280,000 direct bond purchase agreement. The 2007 bond issue was originally for the purchase of the Goodman scene shop. The facility carries a 5 year term, amortized over 15 years at a variable rate of (Libor plus 342 bps) x 65%, or 2.56%. The Theatre retired $117,532 of this debt in 2016. The balance outstanding of this bond as of August 31, 2016 is $2,162,468 with $131,129 considered due within one-year.
>
> 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 2.03%. The balance outstanding of this bond as of August 31, 2016 is $4,400,000 which is considered long-term.
>
> 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, 2016, the Theatre has drawn $4,486,647 on this line of credit. The facility carries a 7 year term, amortization to begin in year 3 at a variable rate of (Libor plus 169 bps), or 2.21%.

(Continued)

NOTE 5 - BONDS/MORTGAGE PAYABLE (Continued)

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

2017	$ 617,920
2018	628,084
2019	638,463
2020	2,317,700
2021	3,159,666
Thereafter	21,446,490
	$ 28,808,323

The bond agreements contains various covenants. Management has an ongoing evaluation of covenant compliance subsequent to year end and believes that the Theatre is in compliance with such covenants.

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. The new space houses the Goodman Center for Education and Engagement.

Future minimum lease payments for this lease are as follows:

2017	$ 142,207
2018	216,402
2019	220,307
2020	224,212
2021	228,117
Thereafter	1,261,315
	$ 2,292,560

NOTE 7 - NET ASSETS

Temporarily restricted net assets held as of August 31, 2016 and 2015 are restricted for timing purposes and available for release to unrestricted net assets upon receipt of the respective pledge. All amounts released from temporarily restricted net assets to unrestricted net assets during 2016 and 2015 were due to timing restrictions expiring. Temporarily restricted net assets as of August 31, 2016 and 2015, amount to $12,241,718 and $10,783,476, respectively.

(Continued)

NOTE 8 - UNRESTRICTED BOARD-DESIGNATED

The Theatre's Board-designated endowment is comprised of Board-designated funds to function as endowment. Net assets consisting of those funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Theatre is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Theatre's Board of Directors believes that UPMIFA requires the preservation of the historical value of donor-restricted endowment gifts unless the donor stipulates otherwise. As of August 31, 2016 and 2015, there were no donor-restricted endowment gifts.

The Investment Committee of the Board of Directors establishes policies and procedures concerning the management of the board-designated endowment funds that are approved by the Board of Directors. 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. Board-designated 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.

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, 2016 and 2015, unrealized gains and losses from the board-designated funds are classified as unrestricted.

The Theatre's Board has approved a spending policy which allows for the spending of interest, dividends and accumulated gains earned on the endowment assets to support operations for both 2016 and 2015. 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 2.71% and 2.70% for 2016 and 2015, respectively. This policy allows for the preservation of principal, competitive investment returns, and moderate investment risk.

Board-designated endowment net assets composition by type of fund as of August 31, 2016 and 2015 are as follows:

	August 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated funds	$ 29,772,735	$ -	$ -	$ 29,772,735

	August 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated funds	$ 29,339,196	$ -	$ -	$ 29,339,196

(Continued)

NOTE 8 - UNRESTRICTED BOARD-DESIGNATED (Continued)

Changes in board-designated endowment net assets for the years ended August 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at August 31, 2014	$ 32,845,837	$ -	$ -	$ 32,845,837
Investment return				
Investment income, net	542,858	-	-	542,858
Net depreciation (realized and unrealized)	(2,351,417)	-	-	(2,351,417)
Total investment return	(1,808,559)	-	-	(1,808,559)
Contributions received	1,749,375	-	-	1,749,375
Appropriations of endowment assets for expenditure				
Allocation to annual fund	(734,000)	-	-	(734,000)
Spending on endowments	(2,713,457)	-	-	(2,713,457)
Endowment net assets at August 31, 2015	29,339,196	-	-	29,339,196
Investment return				
Investment income, net	449,865	-	-	449,865
Net appreciation (realized and unrealized)	1,018,405	-	-	1,018,405
Total investment return	1,468,270	-	-	1,468,270
Contributions received	2,072,439	-	-	2,072,439
Appropriations of endowment assets for expenditure				
Allocation to annual fund	(775,000)	-	-	(775,000)
Spending on endowments	(2,332,170)	-	-	(2,332,170)
Endowment net assets at August 31, 2016	$ 29,772,735	$ -	$ -	$ 29,772,735

(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 $252,419 and $185,055, for the years ended August 31, 2016 and 2015, respectively. Each of these plans requires contributions calculated as a percentage of gross wages of covered employees, at a weighted average of 10.54% of payroll for each year. The Theater's contributions and pension benefits payable under the plans and the administration of the plans are determined by the terms of the related collective-bargaining agreements. The multi-employer plans pose different risks to the Theater than single-employer plans in the following respects:

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

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

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

As illustrated in the table below, the Theater participated in the following multi-employer plans for the year ended August 30, 2016. 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 2015 and 2014 is for the plan's year-end. Based on an actuary's certified information, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement.

		Pension Protection Act Zone Status		FIP/RP Status	Contributions		Expiration Date of Collective
Pension Fund	EIN/Pension Plan Number	2015	2014	Pending/ Implemented	2016	2015	Bargaining Agreement
Equity League	13-6696817/001	Green	Green	No	$ 143,218	$ 129,576	2/12/2017
American Federation of Musicians	51-6120204/001	Green	Green	Yes	42,157	-	4/30/2017
United Scenic Artists	13-7982707/001	Green	Green	No	49,296	45,456	6/30/2017
SDC-League	13-6634482/001	Yellow	Red	Yes	17,748	10,023	4/14/2017
				Total Contributions	$ 252,419	$ 185,055	

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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 $78,484 for the year ended August 31, 2016 and a 1% employer contribution of $65,166 for the year ended August 31, 2015.

NOTE 10 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to August 31, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended August 31, 2016. Management has performed their analysis through December 12, 2016 which is the date that the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CHICAGO THEATRE GROUP, INC.
SCHEDULE OF GENERAL FUNCTIONAL EXPENSES – ANNUAL OPERATIONS
For the year ended August 31, 2016 with comparative totals for 2015

	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 2016 Expenses		Total 2015 Expenses	
Salaries, payroll taxes and employee benefits	$ 3,292,244	$ 1,541,971	$ 4,261,858	$ 1,417,581	$ 1,008,415	$11,522,069	$ 2,231,665	$ 1,089,687	$ 3,321,352	$14,843,421	56.8 %	$12,596,700	62.1 %
Advertising	-	2,045,713	-	-	-	2,045,713	-	-	-	2,045,713	7.8	1,692,020	8.3
Royalties	576,188	-	-	-	-	576,188	-	-	-	576,188	2.2	491,939	2.5
Fees and expenses	1,094,085	1,488	23,048	627,782	-	1,746,403	66,112	2,034	68,146	1,814,549	6.9	1,361,331	6.7
Costumes	-	-	769,891	-	-	769,891	-	-	-	769,891	2.9	180,532	0.9
Electrical equipment	-	-	260,322	-	-	260,322	-	-	-	260,322	1.0	75,436	0.4
Props and scenery	-	-	1,632,959	-	-	1,632,959	-	-	-	1,632,959	6.2	665,195	3.3
Travel, housing and entertainment	874,718	16,624	73,791	68,276	18,717	1,052,126	85,100	7,322	92,422	1,144,548	4.4	495,717	2.4
Insurance	-	-	-	-	-	-	146,440	-	146,440	146,440	0.6	145,617	0.7
Repairs and maintenance	13,341	-	52,675	-	5,471	71,487	4,729	834	5,563	77,050	0.3	109,573	0.5
Supplies and non-depreciable equipment	105,251	348,250	75,717	44,822	68,787	642,827	119,664	140,543	260,207	903,034	3.5	783,472	3.9
Postage	-	117,431	-	396	307	118,134	9,589	45,928	55,517	173,651	0.7	185,709	0.9
Rental	40,873	-	28,952	-	21,723	91,548	12,773	2,555	15,328	106,876	0.4	32,279	0.2
Depreciation and amortization	307	38,239	81,568	5,617	43,884	169,615	44,099	19,079	63,178	232,793	0.9	243,191	1.2
Phone campaign	-	-	-	-	-	-	-	42,119	42,119	42,119	0.2	31,675	0.2
Benefit and other event expenses	-	-	-	-	-	-	-	386,866	386,866	386,866	1.5	410,340	2.0
Utilities	141,309	-	153,368	-	-	294,677	44,159	8,832	52,991	347,668	1.3	377,837	1.9
Security	45,297	-	32,086	-	-	77,383	14,155	2,831	16,986	94,369	0.4	4,449	-
Miscellaneous	8,534	19,206	13,362	22,772	-	63,874	252,800	220,157	472,957	536,831	2.0	388,795	1.9
Total	$ 6,192,147	$ 4,128,922	$ 7,459,597	$ 2,187,246	$ 1,167,304	$21,135,216	$ 3,031,285	$ 1,968,787	$ 5,000,072	$26,135,288	100.0 %	$20,271,807	100 %

(Continued)

CHICAGO THEATRE GROUP, INC.
SCHEDULE OF GENERAL FUNCTIONAL EXPENSES – ANNUAL OPERATIONS
For the year ended August 31, 2015

	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 2015 Expenses	
Salaries, payroll taxes and employee benefits	$ 2,570,274	$ 1,460,637	$ 3,077,820	$ 1,350,215	$ 942,339	$ 9,401,285	$ 2,148,971	$ 1,046,444	$ 3,195,415	$12,596,700	62.1 %
Advertising	-	1,692,020	-	-	-	1,692,020	-	-	-	1,692,020	8.3
Royalties	491,939	-	-	-	-	491,939	-	-	-	491,939	2.5
Fees and expenses	828,136	1,235	4,233	480,181	-	1,313,785	45,935	1,611	47,546	1,361,331	6.7
Costumes	-	-	180,532	-	-	180,532	-	-	-	180,532	0.9
Electrical equipment	-	-	75,436	-	-	75,436	-	-	-	75,436	0.4
Props and scenery	-	-	660,188	-	5,007	665,195	-	-	-	665,195	3.3
Travel, housing and entertainment	290,820	21,115	27,087	60,537	10,606	410,165	80,212	5,340	85,552	495,717	2.4
Insurance	-	-	-	-	-	-	145,617	-	145,617	145,617	0.7
Repairs and maintenance	22,191	-	66,985	-	11,682	100,858	7,328	1,387	8,715	109,573	0.5
Supplies and non-depreciable equipment	50,547	386,899	24,668	64,370	61,936	588,420	129,546	65,506	195,052	783,472	3.9
Postage	-	108,959	-	1,060	326	110,345	13,316	62,048	75,364	185,709	0.9
Rental	-	-	-	-	27,279	27,279	5,000	-	5,000	32,279	0.2
Depreciation and amortization	396	46,350	61,802	5,900	42,386	156,834	61,995	24,362	86,357	243,191	1.2
Phone campaign	-	-	-	-	-	-	-	31,675	31,675	31,675	0.2
Benefit and other event expenses	-	-	-	-	-	-	-	410,340	410,340	410,340	2.0
Utilities	146,891	-	175,862	-	-	322,753	45,903	9,181	55,084	377,837	1.9
Security	2,137	-	1,514	-	-	3,651	666	132	798	4,449	-
Miscellaneous	2,982	34,631	14,566	17,760	-	69,939	78,097	240,759	318,856	388,795	1.9
Total	$ 4,406,313	$ 3,751,846	$ 4,370,693	$ 1,980,023	$ 1,101,561	$15,610,436	$ 2,762,586	$ 1,898,785	$ 4,661,371	$20,271,807	100 %