Chicago Theatre Group, Inc.

Financial Report

August 31, 2023

Contents

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Independent Auditor's Report

To the Board of Trustees
Chicago Theatre Group, Inc.

Opinion

We have audited the financial statements of Chicago Theatre Group, Inc. (the "Theatre"), which comprise the statements of financial position as of August 31, 2023 and 2022 and the related statement of activities, schedule of functional expenses, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Theatre as of August 31, 2023 and 2022 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audits of the Financial Statements

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

To the Board of Trustees
Chicago Theatre Group, Inc.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Theatre's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Theatre's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Chicago Theatre Group, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the years ended August 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

January 22, 2024

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2023 and 2022

ASSETS

	2023	2022
Current Assets		
Cash and cash equivalents	$ 310,991	$ 430,692
Grants, pledges and other receivables (net of allowance for uncollectible pledges of $57,866 and $62,525 in 2023 and 2022, respectively)	1,438,882	1,170,851
Prepaid expenses and deposits	1,334,481	1,242,293
Total Current Assets	3,084,354	2,843,836
Noncurrent Investments	24,470,636	24,390,054
Property and Equipment		
Building	47,651,595	47,651,595
Equipment	14,378,775	14,098,234
Leasehold improvements	5,517,733	5,517,733
Total	67,548,103	67,267,562
Less accumulated depreciation and amortization	41,349,966	39,068,716
Net Property and Equipment	26,198,137	28,198,846
Other Assets		
Grants, pledges and other receivables (net of current portion and net of present value discount of $153,949 and $133,647 in 2023 and 2022, respectively)	3,159,051	3,845,379
Right of use asset - operating leases	1,092,776	-
Total Other Assets	4,251,827	3,845,379
TOTAL ASSETS	$ 58,004,954	$ 59,278,115

See accompanying notes to financial statements

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2023 and 2022

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities		
Accounts payable and accrued expenses	$ 1,605,345	$ 1,053,121
Contract liabilities	3,233,240	3,309,965
Operating lease liability - current	435,409	-
Line of credit	1,100,000	-
Bonds and promissary note payable - due within one year	691,571	661,568
Total current liabilities	7,065,565	5,024,654
Long-term liabilities		
Bonds and promissary note payable - long term, net of unamoritzed issuance cost	22,713,632	23,331,418
Operating lease liability - long term	908,261	-
Accrued expenses - long term	-	316,528
Total liabilities	30,687,458	28,672,600
Net Assets		
Without Donor Restriction		
Undesignated	20,417	638,677
Board Designated	16,344,127	19,358,958
Total unrestricted net assets	16,364,544	19,997,635
With Donor Restriction	10,952,952	10,607,880
Total net assets	27,317,496	30,605,515
TOTAL LIABILITIES AND NET ASSETS	$ 58,004,954	$ 59,278,115

See accompanying notes to financial statements

CHICAGO THEATRE GROUP, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2023 (summarized information for the year ending August 31, 2022)

	Without Restriction					
	Annual Operations	Designated	Total	With Restriction	Total	2022
REVENUES						
Admissions						
Subscriptions	$ 2,455,570	$ -	$ 2,455,570	$ -	$ 2,455,570	$ 2,287,246
Individual and group ticket sales	8,571,688	-	8,571,688	-	8,571,688	5,630,582
Total admissions	11,027,258	-	11,027,258	-	11,027,258	7,917,828
Public support	10,433,231	667,243	11,100,474	3,222,022	14,322,496	10,737,243
Government support	-	-	-	-	-	4,844,588
Net investment income (loss), net of investment fees of $46,080	77,622	855,903	933,525	410,775	1,344,300	(3,476,073)
Concessions income, net of expenses of $495,821	312,773	-	312,773	-	312,773	4,340
Facilities, costume and scenery rentals	180,680	-	180,680	-	180,680	60,518
Royalty and tour income	34,759	-	34,759	-	34,759	-
Miscellaneous income	365,839	-	365,839	-	365,839	782,191
Total Revenues	22,432,162	1,523,146	23,955,308	3,632,797	27,588,105	20,870,635
Net Assets Released from Restrictions	3,038,216	49,509	3,087,725	(3,087,725)	-	-
Investments Designated for Operations	1,200,000	(1,000,000)	200,000	(200,000)	-	-
Total Revenues and Net Assets Released from Restrictions	26,670,378	572,655	27,243,033	345,072	27,588,105	20,870,635
EXPENSES						
Program Services						
Direct expenses						
Artistic	6,009,589	1,683,472	7,693,061	-	7,693,061	6,220,693
Production	7,727,616	1,192,459	8,920,075	-	8,920,075	5,798,063
General artistic	1,590,188	-	1,590,188	-	1,590,188	1,505,658
Education	1,221,375	-	1,221,375	-	1,221,375	789,113
General production	1,329,227	-	1,329,227	-	1,329,227	1,262,523
Total Program Services	17,877,995	2,875,931	20,753,926	-	20,753,926	15,576,050
Supporting Services						
General and administrative	3,840,001	526,085	4,366,086	-	4,366,086	3,970,527
Advertising and subscription	3,290,918	-	3,290,918	-	3,290,918	2,788,586
Fundraising	2,279,724	185,470	2,465,194	-	2,465,194	2,191,105
Total Supporting Services	9,410,643	711,555	10,122,198	-	10,122,198	8,950,218
Total Expenses	27,288,638	3,587,486	30,876,124	-	30,876,124	24,526,268
CHANGE IN NET ASSETS	(618,260)	(3,014,831)	(3,633,091)	345,072	(3,288,019)	(3,655,633)
NET ASSETS - Beginning of Year	638,677	19,358,958	19,997,635	10,607,880	30,605,515	34,261,148
NET ASSETS - END OF YEAR	$ 20,417	$ 16,344,127	$ 16,364,544	$ 10,952,952	$ 27,317,496	$ 30,605,515

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

SCHEDULE OF GENERAL FUNCTIONAL EXPENSES - ANNUAL OPERATIONS
For the Year Ended August 31, 2023 with Summarized Comparative Totals for the year ending August 31, 2022

	Program Services						Supporting Services							
	Direct Expenses													
	Artistic	Production	General Artistic	Education	General Production	Total Program Services	General and Administration	Advertising and Subscription	Fundraising	Total Supporting Expenses	Total 2023 Expenses		Total 2022 Expenses	
Salaries and wages	$ 2,447,870	$ 3,565,419	$ 984,722	$ 550,644	$ 1,007,196	$ 8,555,851	$ 2,446,427	$ 1,333,729	$ 951,446	$ 4,731,602	$ 13,287,453	43.0 %	$ 11,123,352	45.4 %
Payroll taxes employee benefits	806,798	673,703	146,722	67,374	156,123	1,850,720	378,508	192,496	145,031	$ 716,035	2,566,755	8.3	2,279,464	9.3
Advertising	-	-	-	-	-	-	-	1,279,824	-	$ 1,279,824	1,279,824	4.1	1,128,591	4.6
Royalties	439,033	-	-	-	-	439,033	-	-	-	$ -	439,033	1.4	226,346	0.9
Fees and expenses	954,361	229,950	393,233	432,466	-	2,010,010	201,706	-	3,183	$ 204,889	2,214,899	7.2	1,979,700	8.1
Costumes	-	393,949	-	-	-	393,949	-	-	-	$ -	393,949	1.3	170,809	0.7
Electrical equipment	-	259,437	-	5,052	-	264,489	-	-	-	$ -	264,489	0.9	160,600	0.7
Props and scenery	-	1,858,968	-	-	-	1,858,968	-	-	-	$ -	1,858,968	6.0	809,498	3.3
Travel, housing and entertainment	715,023	130,412	49,564	34,036	2,482	931,517	89,038	17,170	12,941	$ 119,149	1,050,666	3.4	526,055	2.1
Health and safety	63,631	18,957		804		83,392	1,508		302	$ 1,810	85,202	0.3	114,733	
Insurance	26,430	44,491	-	5,286	-	76,207	89,094	-	1,982	$ 91,076	167,283	0.5	160,139	0.7
Repairs and maintenance	156,269	198,648	-	31,254	4,561	390,732	64,456	-	11,720	$ 76,176	466,908	1.5	630,894	2.6
Supplies and non-depreciable equipment	153,748	35,014	12,689	27,864	61,367	290,682	226,964	291,394	86,598	$ 604,956	895,638	2.9	802,020	3.3
Postage	-	-	-	65	-	65	6,434	165,094	19,971	$ 191,499	191,564	0.6	110,388	0.5
Operating lease rent	107,655	91,507	-	21,531	-	220,693	40,371	-	8,074	$ 48,445	269,138	0.9	245,477	1.0
Depreciation and amortization	1,009,982	749,402	3,258	5,722	79,834	1,848,198	349,855	11,211	71,987	$ 433,053	2,281,251	7.4	2,290,453	9.3
Phone campaign	-	-	-	-	-	-	-	-	127,942	$ 127,942	127,942	0.4	148,823	0.6
Benefit and other event expense	-	-	-	-	-	-	-	-	710,723	$ 710,723	710,723	2.3	552,782	2.3
Utilities	108,572	167,128	-	21,714	-	297,414	40,714	-	8,143	$ 48,857	346,271	1.1	323,902	1.3
Security	-	-	-	-	-	-	265,760	-	-	$ 265,760	265,760	0.9	188,061	0.8
Interest	670,895	475,217				1,146,112	257,082		41,931	$ 299,013	1,445,125	4.7	446,294	1.8
Miscellaneous	32,794	27,873	-	17,563	17,664	95,894	(91,831)	-	263,220	$ 171,389	267,283	0.9	107,889	0.4
Total	$ 7,693,061	$ 8,920,075	$ 1,590,188	$ 1,221,375	$ 1,329,227	$ 20,753,926	$ 4,366,086	$ 3,290,918	$ 2,465,194	$ 10,122,198	$ 30,876,124	100.0 %	$ 24,526,270	100.0 %

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ (3,288,019)	$ (3,655,633)
Adjustments to reconcile change in net assets		
to net cash flows from operating activities		
Depreciation	2,281,251	2,290,453
Amortization of bond issuance cost	73,782	73,782
Unrealized (gain) loss on investments	(379,244)	4,471,176
Realized gain on investments	(263,085)	(383,376)
Change in noncash assets and liabilities		
Grants, pledges and other receivables	418,297	(1,478,960)
Prepaid expenses and deposits	(92,188)	(375,443)
Accounts payable and accrued expenses	552,224	(680,968)
Refundable Advances	-	(1,617,875)
Contract Liabilities	(76,725)	(1,433,342)
Net operating lease right of use asset and liability	(65,634)	-
Net Cash Flows from Operating Activities	(839,341)	(2,790,186)
Cash Flows From Investing Activities		
Sales of investments	9,865,636	7,694,341
Purchases of investments	(9,303,886)	(6,248,824)
Purchases of equipment and leasehold improvements	(280,542)	(405,330)
Net Cash Flows from Investing Activities	281,208	1,040,187
Cash Flows From Financing Activities		
Net borrowings under line of credit	1,100,000	-
Principal payments on bonds payable	(661,568)	(632,686)
Net Cash Flows from Financing activities	438,432	(632,686)
Net Decrease in Cash and Cash Equivalents	(119,701)	(2,382,685)
Cash and Cash Equivalents - Beginning of Year	430,692	2,813,377
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 310,991	$ 430,692
Supplemental Disclosure		
Cash paid for interest	$ 1,445,125	$ 446,294

See accompanying notes to financial statements.

Note 1 - Nature of Business

Chicago Theatre Group, Inc. (the "Theatre") operates as the Goodman Theatre, 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.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Theatre have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Revenue and expenses are reported on the accrual basis. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Theatre's financial statements for the year ended August 31, 2022, from which the summarized information was derived.

Classification of Net Assets

Net assets of the Theatre are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category are further segregated into annual operations and designated. Annual operations represent the undesignated operating activity of the Theatre.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Theatre or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity and the investment income on the principal be used for the specified purposes outlined by the donor.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash Equivalents

The Theatre considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The Theatre maintains cash balances at various financial institutions. The Theatre's cash balances as of August 31, 2023 and 2022 were $284,190 and $406,975, respectively, and are in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits, resulting in amounts being uninsured and uncollateralized. The Theatre has not experienced losses in such accounts.

Public Support and Related Receivables

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

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

Note 2 - Significant Accounting Policies (Continued)

When donor restrictions expire (i.e., when a stipulated time restriction ends or other restriction is met), the Theatre reports the change from net assets with donor restrictions to net assets without donor restriction as net assets released from restrictions in the statement of activities.

The Theatre analyzes all uncollected pledges as of year end and determines allowances as appropriate. The Theatre has an allowance of $57,866 and $62,525 as of August 31, 2023 and 2022, respectively.

Investments

Investments are reported at fair value. Changes in fair value during the year are recorded as realized and unrealized gains or losses in the statement of activities. Investments are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect amounts reported.

Leases

The Theatre has operating leases for purposes disclosed in Note 9. The Theatre recognizes expense for operating leases on a straight-line basis over the lease term. The Theatre made a policy election not to separate lease and nonlease components for its operating leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability. The Theatre elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for all leases.

Property and Equipment

Property and equipment are recorded at cost, and the straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. 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. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or 10 years. Equipment with a cost in excess of $600 are capitalized at cost. Costs of maintenance and repairs are charged to expense when incurred.

Depreciation expense for property and equipment totaled $2,281,251 and $2,290,453 for the years ended August 31, 2023 and 2022, respectively.

Contract Liabilities

Contract liabilities consist of amounts received by the Theatre that are intended for and will be recognized as revenue in future periods, including payments for subscriptions, admissions, and events.

Revenue Recognition for Contracts with Customers - Admissions

The Theatre sells tickets to patrons for a production performance with a specified date and time. The Theatre recognizes revenue as the performance obligation is met, which occurs when patrons present tickets for entry. The transaction price is calculated as the amount of consideration to which the Theatre expects to be entitled (price of the subscription or ticket set in advance). Payment is received at the point of sale. All payments are generally nonrefundable. During the uncertainty of current times, the Theatre allows for credits or refunds. In some situations, the Theatre bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the Theatre recognizing contract liabilities. Total contract liabilities were $3,378,309 as of September 1, 2021.

Note 2 - Significant Accounting Policies (Continued)

Government Support

Revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met specific to stimulus pandemic relief. Grant funding received in advance of conditions being met is recorded as a refundable advance. See Note 6 for additional information on conditions of the grants received.

Advertising Costs

Direct-response advertising costs are capitalized and amortized on the basis of the straight-line method over the subscription period. Capitalized direct-response advertising costs were $64,614 and $79,331 as of August 31, 2023 and 2022, respectively, and are presented as prepaid expenses and deposits on the statements of financial position. All other advertising and marketing expenses are charged to income during the year in which they are incurred. Advertising expense for the years ended August 31, 2023 and 2022 were $1,279,824 and $1,128,591, respectively.

Impairment or Disposal of Long-lived Assets

The Theatre reviews the recoverability of long-lived assets, including buildings, equipment, internal-use software, and other intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. There were no impairment losses recorded in 2023 or 2022.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the program and supporting services have been reported on a functional basis in the schedule of functional expenses. Costs are charged to program services and supporting services on an actual basis when available. Accordingly, certain costs have been allocated among the program and supporting services on bases and estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Facility expenses (including salaries, occupancy, supplies, and utilities), building depreciation, and debt service expenses of $5,488,582 and $4,650,917 for 2023 and 2022, respectively, are allocated based on square footage as follows:

Artistic	40.00 %
Production	34.00
Education	8.00
Development	3.00
General and administrative	15.00
Total	100.00 %

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of September 1, 2022, the Theatre adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-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. The Theatre elected to adopt the ASU using the modified retrospective method as of September 1, 2022 and applied the following practical expedients:

- The Theatre did not reassess if expired or existing contracts are or contain a lease.
- The Theatre did not reassess the lease classification for expired or existing leases.
- The Theatre did not reassess initial direct costs for any existing leases.
- The Theatre used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.

As a result of the adoption of the ASU, the Theatre recorded a right-of-use asset of $1,296,268 and a lease liability of $1,612,796 as of September 1, 2022 for existing operating leases. The adoption also resulted in the elimination of deferred rent of $122,931 and the elimination of deferred tenant improvements of $193,597. There was no impact on net assets as a result of adopting the new ASU.

Income Tax Status

The Internal Revenue Service has determined that the Theatre is exempt from federal income tax under Section 503(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, 2023 and 2022.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 22, 2024, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Fair Value Hierarchy

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Theatre has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 3 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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.

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, 2023 and 2022.

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.

Equity Funds

The fair value of readily marketable equities, including domestic stocks, international stocks, and equity funds, is 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. One fund, with an approximate fair value of $808,000 and $1,242,000 as of August 31, 2023 and 2022, respectively, is an umbrella type investment company that is structured as an umbrella fund with segregated liability between subfunds, 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 $843,000 and $1,094,000 as of August 31, 2023 and 2022, respectively, is a limited partnership fund, which invests in and sells short securities and instruments

Cash and Cash Equivalents

Cash and cash equivalents consist principally of investments in short-term, interest-bearing instruments and are carried at cost plus accrued interest, which approximates fair value.

Note 3 - Fair Value Measurements (Continued)

The following tables present information about the Theatre's assets measured at fair value on a recurring basis at August 31, 2023 and 2022:

	Assets Measured at Fair Value on a Recurring Basis at August 31, 2023				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Fixed-income funds:					
U.S. fixed income	$ 6,298,243	$ -	$ -	$ -	$ 6,298,243
Non-U.S. fixed income	1,627,777	-	-	-	1,627,777
Equity funds:					
U.S. equity	9,435,804	-	-	-	9,435,804
Non-U.S. equity	4,733,431	-	-	-	4,733,431
Alternative investments	-	-	-	1,650,787	1,650,787
Cash and cash equivalents	724,594	-	-	-	724,594
Total assets	$ 22,819,849	$ -	$ -	$ 1,650,787	$ 24,470,636

	Assets Measured at Fair Value on a Recurring Basis at August 31, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Fixed-income funds:					
U.S. fixed income	$ 6,386,048	$ -	$ -	$ -	$ 6,386,048
Non-U.S. fixed income	2,086,313	-	-	-	2,086,313
Equity funds:					
U.S. equity funds	8,849,365	-	-	-	8,849,365
Non-U.S. equity funds	4,550,030	-	-	-	4,550,030
Alternative investments	-	-	-	2,335,561	2,335,561
Cash and cash equivalents	182,737	-	-	-	182,737
Total	$ 22,054,493	$ -	$ -	$ 2,335,561	$ 24,390,054

Note 4 - Grants, Pledges, and Other Receivables

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

	2023	2022
Grants and pledges:		
Goodman Centennial Campaign	$ 2,629,993	$ 1,429,502
Individuals	459,868	575,976
Government	54,000	154,000
Foundations	1,293,000	2,263,750
Corporations	211,440	132,500
Gross grants and pledges	4,648,301	4,555,728
Less unamortized discount	(153,949)	(133,647)
Less allowance for uncollectible pledges	(57,866)	(62,525)
Other receivables	161,447	656,674
Total receivables	4,597,933	5,016,230
Less current portion	(1,438,882)	(1,170,851)
Noncurrent portion	$ 3,159,051	$ 3,845,379

Note 4 - Grants, Pledges, and Other Receivables (Continued)

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

Goodman's Centennial Campaign was established in 2019 to build a legacy for the Theatre. Initially ,during the silent phase, gifts were collected and restricted by donor. During the current fiscal year, efforts started again post pandemic to support 11 core areas. The gifts are recorded with and without donor restrictions based on donor intent (see Note 10).

Pledges receivable have been discounted using rates ranging from 4.45 percent to 5.48 percent. Amortization of the discount is reported as public support in the statement of activities. Contributions receivable from related parties, which represent donations made by board members, were $1,392,662 and $1,485,873 at August 31, 2023 and 2022, respectively.

Note 5 - Net Investment Income

The components of investment income and gains (losses) on investments for the years ended August 31, 2023 and 2022 are as follows:

	2023	2022
Interest and dividends	$ 701,970	$ 611,727
Realized gains	263,086	383,376
Unrealized gains (losses)	379,244	(4,471,176)
Total	$ 1,344,300	$ (3,476,073)

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of approximately $1,000,000 for both 2023 and 2022. For fiscal years 2023 and 2022, the distribution represents 4.85 percent and 4.7 percent, respectively, of a three-year rolling average of the investment market value.

Additionally, the statement of activities reflects a distribution from donor-imposed restricted investments for the purpose of specific program activities. The distribution is approved at 4 percent of a three-year rolling average of the investment market value. For both years ended August 31, 2023 and 2022, the distribution is $200,000.

The Chicago Community Trust (CCT) holds investments valued at approximately $2,000,000 and $1,900,000 at August 31, 2023 and 2022, respectively, in a designated endowment fund, of which the Theatre is named beneficiary of the income. CCT distributed $76,837 and $73,160 during the years ended August 31, 2023 and 2022, respectively. The Theatre has not reflected an asset for a beneficial interest on its statements of financial position because this is a designated trust for which the CCT has variance power to redirect the benefits.

Note 6 - Government Support and Paycheck Protection Program (PPP)

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

Note 6 - Government Support and Paycheck Protection Program (PPP) (Continued)

The Theatre also took advantage of the refundable Employee Retention Credit (ERC) offered to businesses that met one or both of the following criteria: forced to partially or fully suspend or limit operations by a governmental order or experienced a 50 percent decline in gross receipts during any quarter in 2020 versus the same quarter in 2019. The purpose was to encourage businesses to keep employees on the payroll. For the year ended August 31, 2022, the Theatre recognized revenue of $617,776.

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

Note 7 - Bond/Mortgage Payable

Long-term debt at August 31 is as follows:

	2023	2022
Series 2015: $22,471,874 direct bond purchase agreement. The variable-rate revenue bonds held by Illinois Finance Authority were issued to refund and retire existing bonds originally issued in 1999 to build a new theatre facility. The new bonds carry a 24-year term, with escalating principal payments due on October 1 of each year plus interest. The interest rate is variable equal to the sum of 79 percent of the one-month London Interbank Offered Rate (LIBOR) plus the initial applicable spread. As of March 2023, the Theatre transitioned from LIBOR to the Bloomberg Short-Term Bank Yield Index Rate (BSBY). The interest rate at August 31, 2023 and 2022 was 6.58 percent and 2.55 percent, respectively	$ 20,332,865	$ 20,906,732
Promissory note: The original note in the amount of $3,450,000 retires the original line of credit used to build out the new Goodman Center for Education and Engagement. The facility carries a 5-year term, with escalating payments due on October 1 of each year plus interest stated at LIBOR plus 1.60 percent. As of March 2023, the Theatre transitioned from LIBOR to the BSBY rate. The interest rate at August 31, 2023 and 2022 was 6.97 percent and 3.97 percent, respectively. The term loan is collateralized by the Goodman Center for Education and Engagement	3,121,526	3,209,226
Unamortized debt issuance costs	(49,188)	(122,972)
Less current portion	691,571	661,568
Long-term portion	$ 22,713,632	$ 23,331,418

Debt issuance costs of $368,916, less $319,728 and $245,944 of accumulated amortization in 2023 and 2022, respectively, are shown net with outstanding issued debt. Management is amortizing cost over the 5-year term of the promissory note.

Note 7 - Bond/Mortgage Payable (Continued)

The agreements contain four financial covenants: an unrestricted liquid assets to debt ratio of no less than 0.08 to 1.00 (except for a ratio of no less than 0.55 to 1.00 as of February 28, 2024), a maximum annual operation deficit not to exceed $(625,000), annual unfunded capital expenditures less than or equal to $500,000, and no additional debt less than or equal to $250,000 without prior consent. For the year ended August 31, 2023, all covenants were met except for the maximum operation deficit, which exceeded by approximately $1,600,000 due to significant increase in interest rates from uncontrollable economic factors resulting in significant additional operating expenditures. The bank issued a waiver for the maximum operation deficit at August 31, 2023.

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

Years Ending	Amount
2024	$ 691,571
2025	3,656,860
2026	655,443
2027	685,134
2028	716,171
Thereafter	17,049,212
Total	$ 23,454,391

Note 8 - Line of Credit

Under a line of credit agreement with a bank, the Theatre has available borrowings of $4,000,000. Interest is payable monthly at a rate of 2.5 percent above LIBOR. As of March 2023, the Theatre transitioned from LIBOR to BSBY. The line of credit is collateralized by the investment account. The line of credit expires on December 5, 2023. Management intends to renew the agreement upon expiration. As of August 31, 2023, the outstanding balance on the line was $1,100,000. No balance was outstanding on the line as of August 31, 2022. Interest expense incurred on the line of credit during 2023 totaled $47,427. No interest expense was incurred on the line of credit in 2022.

Note 9 - Leases

The Theatre is obligated under operating leases primarily for performance and event space and the Goodman Center for Education and Engagement, expiring at various dates through January 2027. The right-of-use asset and related lease liability have been calculated using a discount rate of 3.7 percent.

The Theatre made a policy election not to separate lease and nonlease components for its operating leases. Therefore, the full amount of the lease payment is included in the recorded right-of-use asset and lease liability.

Note 9 - Leases (Continued)

Future minimum lease payments under these operating leases are as follows:

Years Ending August 31	Amount
2024	$ 474,318
2025	507,762
2026	339,631
2027	94,637
Total	1,416,348
Less amount representing interest	72,678
Present value of net minimum lease payments	$ 1,343,670

Expenses recognized under the leases for the year ended August 31, 2023 consist of the following:

Operating lease cost	$ 269,138
Other information:	
Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	$ (58,041)
Weighted-average remaining operating lease terms (years)	3.6
Weighted-average discount rate - Operating leases	3.5 %

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2023 and 2022 are as follows:

	2023	2022
Specific purpose - New works	$ 5,000,000	$ 5,000,000
Subject to expenditures for operations or passage of time:		
Fund 1	2,210,032	3,726,216
Fund 2	3,742,920	1,881,664
Total net assets with donor restrictions	$ 10,952,952	$ 10,607,880

The $5.0 million Davee Foundation fund is permanently restricted by the donor. The purpose of the grant is to provide support for and endow a fund for new works. Based on the agreement, income from the fund of no more than 4 percent is to be used to support the development and production of new works. The Theatre used $200,000 based on the grant outline for both 2023 and 2022.

Fund 2 includes certain pledges from the Goodman Centennial Campaign (see Note 4) and earnings on the New Works endowment, which are subject to board approval for expenditure. Fund 1 includes all other pledges and grants receivable (see Note 4).

Net assets released from donor restrictions are as follows:

	2023	2022
Pledges receivable	$ 2,887,725	$ 986,047
New Works	200,000	200,000
Total	$ 3,087,725	$ 1,186,047

Note 11 - Liquidity and Availability of Resources

The following reflects the Theatre's financial assets as of August 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date:

	2023	2022
Financial Assets at Year End		
Cash and cash equivalents	$ 310,991	$ 430,692
Grants, pledges, and other receivables	4,597,933	5,016,230
Investments	24,470,636	24,390,054
Total financial assets	29,379,560	29,836,976
Less amounts not available to be used within one year:		
Donor time restricted - Grants, pledges, and other	(3,159,051)	(3,845,379)
Donor restricted	(5,000,000)	(5,000,000)
Board designated - Net of approximate spending policy withdrawal	(15,175,479)	(18,226,651)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,045,030	$ 2,764,946

The Theatre has a goal to maintain financial assets to meet annual general operating expenses, which are, on average, approximately $2.5 million to $3.0 million monthly depending on nature of programming activity, which varies each year.

The Theatre's board of trustees identified the investment account to be utilized to cover short-term and capital expenditures in negative cash flow periods. The funds are invested for long-term appreciation. This investment account is utilized to meet working capital needs while continuing to maximize ticket sales, in addition to outreach to donors, foundations, corporations, and boards of directors to meet needs. The reductions amounting to $15.2 million and $18.2 million noted as board designated for 2023 and 2022, respectively, are available for use at the discretion of the board.

The Theatre also realizes there could be unanticipated liquidity needs.

Note 12 - 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.

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

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

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

Changes in endowment net assets for the years ended August 31, 2023 and 2022 are as follows:

	Changes in Endowment Net Assets for the Fiscal Year Ended August 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 19,358,958	$ 5,089,827	$ 24,448,785
Investment return:			
Investment income - Net	533,086	137,669	670,755
Net appreciation (realized and unrealized)	368,896	273,434	642,330
Total investment return	901,982	411,103	1,313,085
Contributions received	-	500,000	500,000
Appropriation of endowment assets for expenditure:			
Allocation to annual fund	(1,000,000)	(200,000)	(1,200,000)
Spending on endowments	(2,916,813)	(4,080)	(2,920,893)
Endowment net assets - End of year	$ 16,344,127	$ 5,796,850	$ 22,140,977

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended August 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 25,651,885	$ 6,081,228	$ 31,733,113
Investment return:			
Investment income - Net	450,887	134,698	585,585
Net appreciation (realized and unrealized)	(3,172,439)	(915,361)	(4,087,800)
Total investment return	(2,721,552)	(780,663)	(3,502,215)
Appropriations of endowment assets for expenditure:			
Allocation to annual fund	(1,000,000)	(200,000)	(1,200,000)
Spending on endowments	(2,571,375)	(10,738)	(2,582,113)
Endowment net assets - End of year	$ 19,358,958	$ 5,089,827	$ 24,448,785

Underwater Endowment Funds

As of August 31, 2023 and 2022, there were no funds with deficiencies.

Return Objectives and Risk Parameters

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 and 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.

Strategies Employed for Achieving Objectives

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, 2023 and 2022, unrealized gains and losses from the board-designated funds are classified as net assets without donor restrictions. For the years ended August 31, 2023 and 2022, the unappropriated unrealized gains and losses from the donor-restricted endowment funds are classified as net assets with donor restrictions.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Theatre’s board has approved a spending policy that allows 4 percent to 6 percent of earnings on a three-year rolling average of the invested assets to support operations for both 2023 and 2022. The target spending for qualified distributions from the endowment in any calendar year should be up to 6 percent of the assets annually based on a rolling 12-quarter (three-year) average market value upon board approval. Actual spending rates were 4.9 percent and 4.7 percent for 2023 and 2022, respectively. Consistent with the donor-restricted endowment agreement, the Theatre has a policy of appropriating for distribution each year up to 4 percent of the assets annually based on a rolling 12-quarter (3-year) average market value upon board approval. These policies allow for the preservation of principal, competitive investment returns, and moderate investment risk.

Note 13 - Retirement Plans

The Theatre is a participant in union-sponsored, multiemployer defined benefit pension plans covering certain actors and stage managers, designers, musicians, and directors. Each plan requires contributions calculated as a percentage of gross wages of covered employees, at a weighted average of 10.54 percent of payroll for each year. Contributions to these plans totaled $245,233 and $192,165 for the years ended August 31, 2023 and 2022, respectively. The Theatre'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 financial risks of participating in multiemployer plans are different from single-employer defined benefit pension plans in the following respects:

- Assets contributed to the multiemployer plan may be used to provide benefits to all participating employees, including those employed by other participating employers.
- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

As illustrated in the table below, the Theatre participated in the following multiemployer plans for the years ended August 31, 2023 and 2022. The EIN column provides the employee identification number (EIN), and the pension plan number column provides the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2022 and 2021 is for the plan's year end. Based on an actuary's certified information, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent 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 sixth column lists the expiration date of the collective bargaining agreement.

			Pension Protection Act Certified Zone Status			Contributions Made by the Theatre	
Pension Fund	EIN/Pension Plan Number	FIP/RP Status Pending/ Implemented	2022	2021	Expiration Date of Collective Bargaining Agreement	2023	2022
Equity League	13-6696817	No	Green	Green	6/27/2027	$ 114,519	$ 105,011
American Federation of Musicians	51-6120204	Yes	Red	Red	8/31/2025	36,699	28,092
SAG/AFTRA	95-3967876	No	Green	Green	3/31/2025	1,003	1,161
United Scenic Artists	13-7982707	No	Green	Green	8/31/2027	53,658	43,608
IATSE Pink Contract	13-1849172	Yes	Green	-	6/27/2027	19,533	-
SDC-League	13-6634482	Yes	Red	Red	4/14/2024	19,821	14,293
Total contributions made						$ 245,233	$ 192,165

Defined Contribution 401(k) Plan

During 1998, the board of trustees approved the creation of the Theatre's 401(k) plan (the "Plan"), a defined contribution plan. Employees voluntarily make contributions to the Plan in amounts based upon limits established by Sections 402(g) and 414(v) of the Internal Revenue Code. The Plan's assets are invested in certain self-directed income, money market, and equity funds.

Note 13 - Retirement Plans (Continued)

The board of trustees approved a contribution to the 401(k) plan of $71,844 for the year ended August 31, 2023. The board of trustees did not approve a contribution for the year ended August 31, 2022.