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# Chicago Theatre Group, Inc.

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**Financial Report**  
**August 31, 2021**

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## Independent Auditor's Report

To the Board of Trustees  
Chicago Theatre Group, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Chicago Theatre Group, Inc. (the "Theatre"), which comprise the statements of financial position as of August 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Theatre Group, Inc. as of August 31, 2021 and the results of its changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Chicago Theatre Group, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2020. The 2020 financial statements were not audited in accordance with *Government Auditing Standards*. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Trustees  
Chicago Theatre Group, Inc.

***Emphasis of Matters***

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

Also as described in Note 1 to the financial statements, the Theatre adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021 on our consideration of Chicago Theatre Group, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chicago Theatre Group, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chicago Theatre Group, Inc.'s internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

December 14, 2021

**CHICAGO THEATRE GROUP, INC.**

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,813,377	\$ 659,000
Grants, pledges and other receivables - Net	1,723,682	2,078,449
Prepaid expenses	866,850	542,125
Total Current Assets	<u>5,403,909</u>	<u>3,279,574</u>
<b>Noncurrent Investments</b>	<u>29,923,550</u>	<u>26,419,568</u>
<b>Property and Equipment</b>		
Building	47,651,595	47,651,595
Equipment	11,789,699	11,732,170
Leasehold improvements	5,517,733	5,517,733
Construction in progress	1,903,205	-
Total	66,862,232	64,901,498
Less accumulated depreciation and amortization	<u>36,778,263</u>	<u>34,477,492</u>
Net Property and Equipment	<u>30,083,969</u>	<u>30,424,006</u>
<b>Other Assets</b>		
Grants, pledges and other receivables (net of current portion and net of present value discount of \$5,914 and \$138,379 in 2021 and 2020, respectively)	<u>1,813,588</u>	<u>1,991,747</u>
Total Other Assets	<u>1,813,588</u>	<u>1,991,747</u>
<b>TOTAL ASSETS</b>	<u>\$ 67,225,016</u>	<u>\$ 62,114,895</u>

**CHICAGO THEATRE GROUP, INC.**

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

**LIABILITIES AND NET ASSETS**

	2021	2020
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,660,015	\$ 723,125
Contract liabilities	4,743,307	2,861,242
Refundable advances	1,617,875	-
Bonds and promissory note payable - due within one year	632,866	599,657
Total current liabilities	8,654,063	4,184,024
 <b>Long-term liabilities</b>		
Bonds and promissory note payable - long term, net of amortized issuance cost	23,919,203	24,478,287
Accrued expenses - long term	390,602	460,771
Total liabilities	32,963,868	29,123,082
 <b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	(782,111)	(1,047,614)
Board Designated	25,651,885	24,199,004
Total net assets without donor restrictions	24,869,774	23,151,390
With Donor Restrictions	9,391,374	9,840,423
Total net assets	34,261,148	32,991,813
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 \$ 67,225,016	 \$ 62,114,895

See accompanying notes to financial statements.

**CHICAGO THEATRE GROUP, INC.**

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2021 (summarized information for the year ended August 31, 2020)

	Without Restriction			With Restriction	Total	2020
	Annual Operations	Designated	Total			
<b>REVENUES</b>						
Admissions						
Subscriptions	\$ 802	\$ -	\$ 802	\$ -	\$ 802	\$ 1,482,001
Individual and group ticket sales	294,380	-	294,380	-	294,380	4,208,939
Total admissions	295,182	-	295,182	-	295,182	5,690,940
Public support	5,417,379	324,625	5,742,004	1,088,420	6,830,424	7,647,157
Paycheck Protection Program grant revenue	2,000,000	-	2,000,000	-	2,000,000	2,381,400
Government support	2,687,317	-	2,687,317	-	2,687,317	-
Net investment income, net of investment fees of \$40,362	71,581	3,333,114	3,404,695	953,035	4,357,730	2,486,508
Concessions income, net of expenses of \$83,127	(44,466)	-	(44,466)	-	(44,466)	42,994
Royalty income	206	-	206	-	206	1,040
Facilities, costume and scenery rentals, net of expense \$9,594	15,196	-	15,196	-	15,196	76,980
Tour and production income	-	-	-	-	-	3,500
Miscellaneous income	4,446	-	4,446	-	4,446	36,769
Total Revenues	10,446,841	3,657,739	14,104,580	2,041,455	16,146,035	18,367,288
Net Assets Released from Restrictions	1,300,308	1,190,196	2,490,504	(2,490,504)	-	-
Investments Designated for Operations	801,516	(801,516)	-	-	-	-
Total Revenues and Net Assets Released from Restrictions	12,548,665	4,046,419	16,595,084	(449,049)	16,146,035	18,367,288
<b>EXPENSES</b>						
Program Services						
Direct Expenses						
Artistic	1,544,462	1,205,741	2,750,203	-	2,750,203	4,704,360
Production	1,127,739	854,067	1,981,806	-	1,981,806	4,357,167
General artistic	1,515,598	-	1,515,598	-	1,515,598	1,543,835
Education	571,421	-	571,421	-	571,421	589,959
General production	1,253,085	-	1,253,085	-	1,253,085	1,843,281
Total Program Services	6,012,305	2,059,808	8,072,113	-	8,072,113	13,038,602
Supporting Services						
General and administrative	3,113,094	376,794	3,489,888	-	3,489,888	3,517,745
Advertising and subscription	1,725,912	-	1,725,912	-	1,725,912	2,755,229
Fundraising	1,431,851	156,936	1,588,787	-	1,588,787	1,869,989
Total Supporting Services	6,270,857	533,730	6,804,587	-	6,804,587	8,142,963
Total Expenses	12,283,162	2,593,538	14,876,700	-	14,876,700	21,181,565
<b>CHANGE IN NET ASSETS</b>	265,503	1,452,881	1,718,384	(449,049)	1,269,335	(2,814,277)
NET ASSETS - Beginning of Year	(1,047,614)	24,199,004	23,151,390	9,840,423	32,991,813	35,806,090
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (782,111)</u>	<u>\$ 25,651,885</u>	<u>\$ 24,869,774</u>	<u>\$ 9,391,374</u>	<u>\$ 34,261,148</u>	<u>\$ 32,991,813</u>

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2021 with Summarized Comparative Totals for the Year Ended August 31, 2020

	Program Services						Supporting Services				Total 2021 Expenses	Total 2020 Expenses		
	Direct Expenses				Total Program Services				Total Supporting Expenses					
	Artistic	Production	General Artistic	Education	General Production		General and Administrative	Advertising and Subscription	Fundraising					
Salaries and wages	\$ 491,628	\$ 332,748	\$ 858,214	\$ 339,914	\$ 891,944	\$ 2,914,448	\$ 1,832,281	\$ 1,085,769	\$ 816,005	\$ 3,734,055	\$ 6,648,503	44.7 %	\$ 10,190,220	48.1 %
Payroll taxes employee benefits	147,588	56,068	174,169	66,684	163,923	608,432	451,298	204,638	153,434	\$ 809,370	1,417,802	9.5	\$ 2,088,774	9.9
Advertising	-	-	-	-	-	-	-	284,620	-	\$ 284,620	284,620	1.9	790,346	3.7
Royalties	63,565	-	-	-	-	63,565	-	-	-	\$ 63,565	63,565	0.4	241,197	1.1
Contract fees and expenses	392,903	2,940	330,130	96,928	-	822,901	240,225	10,000	15,853	\$ 266,078	1,088,979	7.3	1,507,519	7.1
Costumes	-	12,150	-	-	-	12,150	-	-	-	\$ 12,150	12,150	0.1	130,091	0.6
Electrical equipment	-	5,180	-	1,494	-	6,674	-	-	-	\$ 6,674	6,674	0.0	47,463	0.2
Props and scenery	-	306,980	-	-	-	306,980	-	-	-	\$ 306,980	306,980	2.1	377,489	1.8
Travel, housing and entertainment	66,977	1,990	8,911	-	-	77,878	18,103	150	-	\$ 18,253	96,131	0.6	264,519	1.2
Insurance	21,978	37,602	-	4,396	-	63,976	76,577	-	1,648	\$ 78,225	142,201	1.0	163,577	0.8
Repairs and maintenance	79,544	74,595	-	15,909	3,686	173,734	32,765	-	5,966	\$ 38,731	212,465	1.4	292,123	1.4
Supplies and non-depreciable equipment	68,878	11,110	3,156	4,703	78,653	166,500	161,478	116,116	55,945	\$ 333,539	500,039	3.4	625,239	3.0
Postage	-	-	-	-	-	-	3,231	16,113	431	\$ 19,775	19,775	0.1	124,057	0.6
Rental	81,478	69,256	-	16,296	17,006	184,036	30,554	-	6,111	\$ 36,665	220,701	1.5	247,613	1.2
Depreciation and amortization	1,043,751	802,203	-	639	97,873	1,944,466	274,019	8,506	73,780	\$ 356,305	2,300,771	15.5	2,329,207	11.0
Phone campaign	-	-	-	-	-	-	-	-	144,661	\$ 144,661	144,661	1.0	171,240	0.8
Benefit and other event expense	-	-	-	-	-	-	-	-	111,763	\$ 111,763	111,763	0.8	160,747	0.8
Utilities	72,846	112,883	-	14,569	-	200,298	27,317	-	5,463	\$ 32,780	233,078	1.6	335,353	1.6
Security	5,648	4,801	-	1,130	-	11,579	2,118	-	424	\$ 2,542	14,121	0.1	115,579	0.5
Interest	161,035	114,067	-	-	-	275,102	126,790	-	10,065	\$ 136,855	411,957	2.8	656,006	3.1
Miscellaneous	52,384	37,233	141,018	8,759	-	239,394	213,132	-	187,238	\$ 400,370	639,764	4.3	323,206	1.5
<b>Total</b>	<b>\$ 2,750,203</b>	<b>\$ 1,981,806</b>	<b>\$ 1,515,598</b>	<b>\$ 571,421</b>	<b>\$ 1,253,085</b>	<b>\$ 8,072,113</b>	<b>\$ 3,489,888</b>	<b>\$ 1,725,912</b>	<b>\$ 1,588,787</b>	<b>\$ 6,804,587</b>	<b>\$ 14,876,700</b>	<b>100.0 %</b>	<b>\$ 21,181,565</b>	<b>100.0 %</b>

See accompanying notes to financial statements.



## CHICAGO THEATRE GROUP, INC.

### STATEMENTS OF CASH FLOWS For the Years Ended August 31, 2021 and 2020

	2021	2020
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,269,335	\$ (2,814,277)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	2,300,771	2,329,207
Amortization of bond issuance cost	73,782	73,782
Unrealized gain on investments	(2,806,056)	(1,535,504)
Realized gain on investments	(996,415)	(402,249)
Change in noncash assets and liabilities		
Grants, pledges and other receivables	532,926	1,852,512
Prepaid expenses and deposits	(324,725)	1,180,079
Accounts payable and accrued expenses	866,721	1,160,514
Refundable Advances	1,617,875	-
Contract liabilities	1,882,065	(2,777,522)
Net Cash Flows from Operating Activities	4,416,279	(933,458)
<b>Cash Flows From Investing Activities</b>		
Sales of investments	7,701,854	6,104,463
Purchases of investments	(7,403,365)	(5,470,058)
Purchases of equipment and leasehold improvements	(1,960,734)	(452,205)
Net Cash Flows from Investing Activities	(1,662,245)	182,200
<b>Cash Flows From Financing Activities - Principal payments on bonds payable</b>	(599,657)	(573,390)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,154,377	(1,324,648)
Cash and Cash Equivalents - Beginning of Year	659,000	1,983,648
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,813,377	\$ 659,000
<b>Supplemental Disclosure</b>		
Cash paid for interest	\$ 364,540	\$ 641,713

See accompanying notes to financial statements.

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 impact of COVID-19 on these annual activities is disclosed later in Note 1. The Theatre is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

**Basis of presentation:** The Theatre follows current authoritative accounting guidance relating to financial statements of not-for-profit organizations. Under this guidance, the Theatre is required to report information regarding its financial position and activities applicable to nonprofit organizations in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Revenue and expenses are reported on the accrual basis. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Theatre's financial statements for the year ended August 31, 2020, from which the summarized information was derived.

**Classification of net assets:**

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

- *Net Assets without donor restrictions:* are available for support of the Theatre's operations and are not subject to donor-imposed restrictions or restricted gifts whose restrictions were met during the year. Net assets without donor restriction are further segregated into annual operations and designated. Annual Operations represents the undesignated operating activity of the Theatre.
- *Net Assets with donor restrictions* – are subject to donor-imposed restrictions expected to be met either by actions of the Theatre or passage of time. This includes amounts subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity with the investment income on the principal used for the specified purpose outlined by the donor.

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

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

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

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

The Theatre analyzes all uncollected amounts as of year-end and determines allowances as appropriate. There is no allowance recorded as of August 31, 2021. The Theatre has an allowance of \$200,000 as of August 31, 2020.

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Property and Equipment:* Equipment with a cost in excess of \$600 capitalized at cost and depreciated using the straight-line method over estimated useful lives ranging from three to five years. The building is being depreciated using the straight-line method over an estimated useful life of 40 years. Capitalized interest costs associated with the New Goodman Theatre Project are included in the cost of the building and are being depreciated over the estimated useful life of the building. Leasehold improvements are amortized over the shorter of the remaining lease term or ten years, using the straight-line method. Depreciation and amortization expense for the years ended August 31, 2021 and 2020, was \$2,300,711 and \$2,329,237 respectively.

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

*Paycheck Protection Program Refundable Advance:* Funding received under the Paycheck Protection Program (PPP) is considered a nonexchange transaction and is recognized as the conditions of the PPP agreement have been met. Funding Received in advance of conditions being met is recorded as a refundable advance. Once the conditions have been substantially met or explicitly waived, grant revenue is recognized. See Note 5 for additional information on terms and conditions of the PPP agreements.

*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 the patron presents the ticket for entry. The transaction price is calculated as the amount of consideration to which the Theatre expects to be entitled (price of subscription or ticket set in advance). Payment is received at the point of sale. All payments are generally nonrefundable. During the uncertainty of current times, the Theatre allows for credits/refunds. In some situations, the Theatre collects cash prior to the satisfaction of the performance obligation, which results in the Theatre recognizing contract liabilities upon receipt of payment. Total contract liabilities were \$4,222,912 as of September 1, 2019.

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

*Advertising costs:* The Theatre follows the policy of expensing advertising and marketing costs when incurred. For the years ended August 31, 2021 and 2020, advertising related costs amount to \$1,725,913 \$2,755,229, respectively.

*Impairment or Disposal of Long-lived Assets:* The Theatre reviews the recoverability of long-lived assets, including buildings, equipment, and internal use software, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long lived assets, as well as other fair value determinations. There were no impairment losses recorded in 2021 or 2020.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

Facility expenses (including salaries, occupancy, supplies, and utilities), building depreciation, and debt service expenses of \$3,856,422 and \$4,434,999 for 2021 and 2020, respectively, are allocated based on square footage as follows:

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

*Adoption of New Accounting Standards:* In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded the previous revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Theatre adopted the ASU effective September 1, 2020. The Theatre used the modified retrospective approach when applying these changes. The adoption of the ASU did not result in any restatement to net assets or changes in net assets.

As of September 1, 2020, the Theatre adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which removed the disclosure requirements related to transfers between Level 1 and Level 2 fair value measurements. The Theatre adopted the ASU on a retrospective basis.

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CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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Upcoming Accounting Pronouncements:

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

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

In September 2020, the FASB issued ASU No. 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not for profit organizations receive, known as gifts in-kind. Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Theatre's year ending August 31, 2022 and will be applied using the retrospective method.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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*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, 2021 and 2020.

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

In response to the pandemic declaration, on March 13, 2020 the Theatre closed its facilities to the public to comply with state and local health and safety standards. Earned revenue from patron-facing activities, including admissions and concessions ceased. Evolving restrictions on public gathering size negatively impacted the financial viability of reopening to the public throughout fiscal year 2021.

Management evaluated operating structures and made the strategic decision to fulfill its mission to connect people to theatre arts with virtual performances. Cost-saving measures were also implemented and included a July 2020 reduction in force of 37.5 percent and significant nonstaff expenses.

Other revenue sources, specifically government support, helped offset the decline in patron-facing revenue. Strong donor support continues, and the virtual “No Gala” gala held in May 2021 resulted in net revenues.

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

*Reclassification:* A certain 2020 balance has been reclassified to conform to the 2021 presentation. The primary impact related to a contract liability of \$1,365,000 which was previously classified with accounts payable and accrued expenses on the 2020 statement of financial position.

*Subsequent Events:* The financial statements and related disclosures include evaluation of events up through and including December 14, 2021, which is the date the financial statements were available to be issued.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 2 – FAIR VALUE MEASUREMENTS**

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*Fair Value Hierarchy:* Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

*Valuation Techniques and Inputs:* Level 1 assets include investments in fixed income and equity funds that are based on quoted market prices. There have been no changes in the techniques and inputs used as of August 31, 2021 and 2020.

While the Theatre believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following are descriptions of the valuation methods and assumptions used by the Theatre to estimate the fair values of investments:

*Fixed income funds:* The fair value of fixed income funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 2 – FAIR VALUE MEASUREMENTS** (Continued)

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*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. One fund with an approximate fair value of \$1,180,000 and \$1,312,000 as of August 31, 2021 and 2020, respectively, is an umbrella type investment company that is structured as an umbrella fund with segregated liability between “sub-funds”, which engage in a variety of investment strategies. The Theatre may redeem all or a part of its participating shares from the fund quarterly, upon 30 days advance written notice. The second fund, with an approximate fair value of \$1,102,000 and \$1,364,000 as of August 31, 2021 and 2020, respectively, is a limited partnership fund, which invests in and sells short securities and instruments. The Theatre may redeem all or a part of its participating shares from the partnership quarterly, upon 90 days advance written notice. There are no unfunded commitments at August 31, 2021 or 2020.

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

The following table presents information about the Theatre’s assets measured at fair value on a recurring basis as of August 31, 2021:

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

(Continued)



CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

**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, 2020:

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

**NOTE 3 – GRANTS, PLEDGES, AND OTHER RECEIVABLES**

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

	2021	2020
Grants and pledges:		
Goodman Excellence Campaign	\$ 1,479,502	\$ 2,619,697
Individuals	786,226	964,392
Government	615,208	20,000
Foundations	471,750	556,250
Corporations	145,000	177,500
Gross grants and pledges	3,497,686	4,337,839
Less: Unamortized discount	(5,914)	(138,379)
Allowance for uncollectible pledges	-	(200,000)
Other receivables	45,498	70,736
Total Receivables	3,537,270	4,070,196
Less current portion	1,723,682	2,078,449
Non-current portion	<b>\$ 1,813,588</b>	<b>\$ 1,991,747</b>

The current portion of the above is due in less than one year. The noncurrent portion is all due within one to five years except for \$1,000,000, which is due beyond five years.

The Goodman Excellence Campaign was established as a fund-raising effort to create an operating reserve. These amounts are not restricted and can be designated for use by the board as appropriate.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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

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Pledges receivables have been discounted using rates ranging from 0.12% to 0.15%. Amortization of the discount is reported as public support in the statement of activities. Contributions receivable at August 31, 2021 and 2020, from related parties, which represents donations made by board members, were \$1,767,289 and \$2,108,787, respectively.

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**NOTE 4 – INVESTMENT INCOME**

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 555,259	\$ 548,755
Realized gains	996,415	402,249
Unrealized gains	<u>2,806,056</u>	<u>1,535,504</u>
 Total	 <u>\$ 4,357,730</u>	 <u>\$ 2,486,508</u>

The statement of activities reflects a distribution of investment earnings from designated investments to annual operations of \$801,516 and \$1,232,000 for 2021 and 2020, respectively. For fiscal year 2021 and 2020, the distribution represents 3.7% and 6.0% of a three-year rolling average of the investment market value.

Additionally, the statement of activities reflects a distribution from donor imposed restricted investment for the purpose of specific program activities as net assets released from restrictions. The distribution is approved at 4% of a three-year rolling average of the investment market value. For the fiscal year ending 2021 and 2020, the distribution is \$200,000 and \$200,875, respectively.

The Chicago Community Trust (CCT) holds investments valued at approximately \$2,285,000 and \$1,903,000 at August 31, 2021 and 2020, respectively, in a designated endowment fund whereby the Theatre is named beneficiary of its income. CCT distributed \$71,578 and \$70,644 in fiscal years ended August 31, 2021 and 2020, respectively. The Theatre has not reflected an asset on its statement of financial position for a beneficial interest because this is a designated trust for which the CCT has variance power to redirect the benefits.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 5 – PAYCHECK PROTECTION PROGRAM**

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In April 2020, the Theatre received a Paycheck Protection Program (PPP) term note through a financial institution in the amount of \$2,381,400. On February 2021, the Theatre received a second draw of the PPP loan program in the amount of \$2,000,000. The notes were issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's PPP. The note structure required organization officials to certify certain statements that permitted the Theatre to qualify for the loan and provides loan forgiveness for a portion or all the borrowed amount if the Theatre uses the loan proceeds for the permitted loan purpose during the covered period described in the note agreements. At the conclusion of the covered period, any balance not forgiven by the Small Business Administration (SBA) will be repaid over a period of two and five years for the initial and second draw, respectively, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered periods. The Theatre has the right to prepay any amount outstanding at any time without penalty. These loans helped the Theatre fund payroll and benefits.

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

As the barriers were met as of August 31, 2021 and 2020, the Theatre recognized the full balances of the loan draw or \$2,000,000 and \$2,381,400, respectively, as grant revenue on the statement of activities.

The SBA approved forgiveness for the full amount of the initial loan and the second loan in June 2021 and December 2021, respectively.

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

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**NOTE 6 – GOVERNMENT SUPPORT**

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During 2021, the Theatre was awarded a Shuttered Venue Operators Grant (SVOG). The federal relief program was part of the American Rescue Plan Act of 2021. Eligible entities included live venue operators, theatrical producers, live performing arts organization operators and others. The funds are recognized as government support on the statement of activities. The grant funded salaries, health benefits, production costs, contractual costs, and admission sale refunds due to the pandemic. As barriers were met as of August 31, 2021, the Theatre recognized \$1,600,000 of original grant of \$3,217,875. The remaining balance is included in refundable advances on the statement of financial position as of August 31, 2021.

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

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 7 – BOND/MORTGAGE PAYABLE**

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Debt held with PNC Bank is as follows:

	<u>2021</u>	<u>2020</u>
Series 2015, payable in 2043	\$ 21,455,730	\$ 21,975,184
Promissory note	3,293,094	3,373,299
Less: issuance costs net of amortization	(196,755)	(270,539)
	\$ 24,552,069	\$ 25,077,944

The following outlines the debt structure:

Series 2015: \$22,471,874 direct bond purchase agreement. The variable rate revenue bonds held by Illinois Finance Authority were issued to refund and retire existing bonds originally issued in 1999 to build the new theatre facility. The new bonds carry a 24-year term with escalating principal payments due October 1 of each year plus interest with the final payment due October 1, 2043. The interest rate is variable equal to the sum of 79% of the One Month LIBOR, plus the initial applicable spread. The interest rate at the end of August, 31, 2021 and 2020 was 1.27% and 1.32%, respectively.

Promissory Note: The original note in the amount of \$3,450,000 retires original line of credit used to build out the new Goodman Center for Education and Engagement. The facility carries a 5-year term with escalating payments due on October 1 of each year plus interest stated at Libor plus 1.60% with the final payment due October 1, 2024. The interest rate was 1.69% and 1.75% for the years ending August 31, 2021 and 2020, respectively. The term loan is collateralized by the Goodman Center for Education and Engagement.

Outstanding issued debt is shown net of debt issuance costs of \$368,916, less accumulated amortization of \$172,161 and \$98,378 of amortization in 2021 and 2020, respectively. Management is amortizing cost over the five-year term of the promissory note.

The agreements contain four financial covenants. The Unrestricted Liquid Assets to Debt Ratio will be not less than 0.80:1.0; a maximum annual operation deficit not to exceed (\$625,000); annual unfunded capital expenditures less than or equal to \$500,000; and no additional debt less than or equal to \$250,000 without prior consent. For the year ended August 31, 2021, all covenants were met.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 7 – BOND/MORTGAGE PAYABLE (Continued)**

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

2022		\$	632,866
2023			661,567
2024			691,569
2025			3,656,860
2026			655,443
Thereafter			<u>18,253,764</u>
		<u>\$</u>	<u>24,552,069</u>

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**NOTE 8 – LINE OF CREDIT**

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On June 3, 2020, the Theatre entered into a renewable line of credit agreement with a bank with available borrowings of up to \$4,000,000 as of August 31, 2021 and 2020. Interest is payable monthly at a rate of 2.5 percent above London Interbank Offered Rate (LIBOR)). The line of credit is collateralized by the investment account. The line of credit was renewed on December 3, 2021 and expires on June 3, 2022. No balance was outstanding on the line as of August 31, 2021 or 2020. There was interest expense incurred of \$2,685 on the line of credit during 2021. There was no interest expense incurred on the line of credit for 2020.

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**NOTE 9 – LEASES**

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On September 1, 2015, the Theatre entered into a 10-year lease (with multiple 5-year options) with Friedman Properties for 7,800 sq. ft. on the second floor of the building located at 60 W. Randolph Street, Chicago, Illinois. This space houses the Goodman Center for Education and Engagement. On April 13, 2017, the Theatre signed an amendment to the office lease to include an additional 2,422 sq. ft. on the second floor of the building located at 60 W. Randolph Street Chicago Illinois. Lease term is the same as the original lease agreement signed on September 1, 2015. Future minimum lease payments for this lease are as follows:

2022		\$	303,679
2023			308,790
2024			313,901
2025			319,012
2026			324,123
Thereafter			<u>136,293</u>
		<u>\$</u>	<u>1,705,798</u>

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Specific purpose:		
New Works	\$ 5,000,000	\$ 5,000,000
Subject to expenditures for a specified purpose or passage of time	<u>4,391,374</u>	<u>4,840,423</u>
	<u>\$ 9,391,374</u>	<u>\$ 9,840,423</u>

The \$5.0 million Davee Foundation fund is permanently restricted by the donor. The purpose of the grant is to provide support for and endow a fund for new works. Based on the agreement, income from the fund no more than 4% is to be used to support the development and production of new works. The Theatre used \$200,000 and \$200,875 based on the grant outline for the years ended August 31, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Pledges receivables	\$ 2,290,504	\$ 2,791,757
New works	<u>200,000</u>	<u>200,875</u>
	<u>\$ 2,490,504</u>	<u>\$ 2,992,632</u>

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 11 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

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The following reflects Chicago Theatre Group's financial assets as of August 31, 2021 and 2020, reduced by amounts not available for general use within one year of the statement of the financial position dates because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside by donor restriction.

<b>Financial Assets at Year End:</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Cash and cash equivalents	\$ 2,813,377	\$ 659,000
Grants, pledges and other receivables	3,537,270	4,070,196
Investments	29,923,550	26,419,568
<b>Total Financial Assets</b>	<b><u>36,274,197</u></b>	<b><u>31,148,764</u></b>
Less: amounts not available to be used within one year:		
Donor Time Restricted - Grants, pledges and other	(1,813,588)	(1,991,747)
Donor Restricted	(5,000,000)	(5,000,000)
Board Designated net of approximate spending policy withdrawal	<u>(23,428,137)</u>	<u>(20,134,394)</u>
Financial assets available to meet general expenditures over the next twelve months	<b><u>\$ 6,032,472</u></b>	<b><u>\$ 4,022,623</u></b>

Chicago Theatre Group's goal is to maintain financial assets to meet annual general operating expenses. General expenses normally average \$2.0 to \$3.0 million monthly depending on nature of programming activity which varies each year and during normal activity

The Theatre's board of directors have identified the investment account to be utilized to cover short term and capital expenditures in negative cash flow periods. The funds are invested for long-term appreciation. This investment account is utilized to meet working capital needs, while continuing to outreach to donors, foundations, corporations and board of directors to meet needs. The board designations net of the approximate spending policy withdrawal amounting to \$23.4 million and \$20.1 million for 2021 and 2020, respectively, are available for use at the discretion of the board.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 12 – DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS**

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

***Interpretation of Relevant Law***

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

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

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

The Investment Committee of the Board of Trustees establishes policies and procedures concerning the management of the endowment funds that are approved by the Board of Trustees. These policies establish asset classes that are deemed suitable for investment of endowment funds, which currently include investment in domestic and international equities, fixed income, and alternative strategies. Endowment funds are managed on a total return basis taking into consideration the need to maintain the purchasing power of the funds as well as the need to support the Theatre's mission. Risk and return expectations for the endowment funds are modeled using historical rates of return and volatility measures for various asset allocation scenarios. Investments are made in various asset classes based on policy requirements for a highly diversified portfolio in accordance with asset allocation guidelines.

(Continued)



CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 12 – DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS** (Continued)

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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, 2021 and 2020 unrealized gains and losses from the board-designated funds are classified as net assets without donor restrictions. For the years ended August 31, 2021 and 2020, the unappropriated unrealized gains and losses from the donor-restricted endowment funds are classified as net assets with donor restrictions.

The Theatre's Board has approved a spending policy which allows for the spending of interest, dividends and accumulated gains earned on the invested assets to support operations for both 2021 and 2020. 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 3.7% and 6.0% for 2021 and 2020, respectively. For 2020, the 6% spending rate included an additional 2.00% board approved distribution to respond to the pandemic disclosed in Note 1. Consistent with the donor-restricted endowment agreement, the Theatre has a policy of appropriating for distribution each year up to 4% of the assets annually based on a rolling twelve-quarter (three year) average market value upon Board approval. These policies allow for the preservation of principal, competitive investment returns, and moderate investment risk.

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

**NOTE 12 – DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS** (Continued)

Changes in endowment net assets for the years ended August 31, 2021 and 2020 are as follows:

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
Endowment net assets at August 31, 2019	\$ 25,022,838	\$ 5,007,601	\$ 30,030,440
Investment return			
Investment income, net	403,598	128,360	531,958
Net appreciation (realized and unrealized)	<u>1,535,132</u>	<u>402,679</u>	<u>1,937,811</u>
Total investment return	1,938,730	531,039	2,469,769
Contributions received	-	-	-
Appropriations of endowment assets for expenditure			
Allocation to annual fund	(1,232,000)	(200,875)	(1,432,875)
Spending on endowments	<u>(1,530,564)</u>	<u>-</u>	<u>(1,530,564)</u>
Endowment net assets at August 31, 2020	24,199,004	5,337,765	29,536,770
Investment return			
Investment income, net	399,024	138,165	537,189
Net appreciation (realized and unrealized)	<u>2,974,463</u>	<u>814,868</u>	<u>3,789,331</u>
Total investment return	3,373,487	953,033	4,326,520
Contributions received	-	-	-
Appropriations of endowment assets for expenditure			
Allocation to annual fund	(801,516)	(200,000)	(1,001,516)
Spending on endowments	<u>(1,119,090)</u>	<u>(9,570)</u>	<u>(1,128,660)</u>
Endowment net assets at August 31, 2021	<u>\$ 25,651,885</u>	<u>\$ 6,081,228</u>	<u>\$ 31,733,114</u>

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

**NOTE 13 – 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 \$37,271 and \$118,399, for the years ended August 31, 2021 and 2020, respectively. Each of these plans requires contributions calculated as a percentage of gross wages of covered employees, at a weighted average of 10.54% of payroll for each year. The Theater's contributions and pension benefits payable under the plans and the administration of the plans are determined by the terms of the related collective-bargaining agreements. The multi-employer plans pose different risks to the Theater than single-employer plans in the following respects:

1. The Theater's contributions to the multi-employer plan may be used to provide benefits to all participating employees of the program, including those employed by other employers.
2. If a participating employer fails to make its required contributions, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If an employer chooses to stop participating in a multiemployer plan, the withdrawing company may be required to pay to the plan a final payment (the withdrawal liability).

As illustrated in the table below, the Theater participated in the following multi-employer plans for the years ended August 30, 2021 and 2020. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2021 and 2020 is for the plan's year-end. Based on an actuary's certified information, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions		Expiration Date of Collective Bargaining Agreement
		2021	2020		2021	2020	
Equity League	13-6696817/001	Green	Green	No	\$ 19,103	\$ 72,212	2/13/2022
American Federation of Musicians	51-6120204/001	Red	Red	Yes	792	-	11/21/2021
SAG/AFTRA	95-3967876/001	Green	Green	No	5,399	-	8/31/2021
United Scenic Artists	13-7982707/001	Green	Green	No	6,802	34,890	8/9/2023
SDC-League	13-6634482/001	Red	Red	Yes	5,175	11,297	4/14/2022
Total Contributions					<u>\$ 37,271</u>	<u>\$ 118,399</u>	

(Continued)

CHICAGO THEATRE GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2021 and 2020

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**NOTE 13 – RETIREMENT PLANS** (Continued)

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*Defined Contribution 401(k) Plan*

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

The Board of Trustees did not approve a contribution for the years ended August 31, 2021 and 2020.

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