Citi Performing Arts Center, Inc.SM

Consolidated Financial Statements
May 31, 2009

McGladrey & Pullen
Certified Public Accountants

Contents

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report on the Financial Statements

To the Board of Directors
Citi Performing Arts Center, Inc. SM
Boston, MA

We have audited the accompanying consolidated statements of financial position of the Citi Performing Arts Center, Inc. SM (the "Center") as of May 31, 2009 and 2008, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Citi Performing Arts Center, Inc. SM as of May 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Burlington, MA
January 21, 2010

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

Citi Peforming Arts Center, Inc.[SM]

Consolidated Statements of Financial Position
May 31, 2009 and 2008

Assets		2009		2008
Cash and cash equivalents	$	1,287,634	$	137,594
Cash and cash equivalents held in escrow for advance ticket sales		5,804,893		584,063
Contributions receivable		2,016,085		957,274
Accounts receivable for advance ticket sales		367,567		14,181
Citibank sponsorship receivable		335,952		164,583
Other accounts receivable		812,587		112,666
Investments, at fair value		10,419,751		14,866,552
Investments in productions		2,014,477		2,061,116
Property and equipment, net		15,104,811		14,465,253
Other assets		979,680		172,745
Total Assets	$	39,143,437	$	33,536,027

Liabilities and Net Assets				
Line of credit borrowings	$	1,500,000	$	-
Accounts payable and accrued expenses		2,756,030		1,933,419
Obligation under capital lease		199,175		-
Unearned income		2,235,795		57,881
Deferred revenue for advance ticket sales		6,216,977		598,244
Total Liabilities		12,907,977		2,589,544
Net assets				
Unrestricted				
Working capital and other reserves		(1,342,696)		349,276
Net investment in property and equipment		14,905,636		14,465,253
Total unrestricted net assets		13,562,940		14,814,529
Temporarily restricted		6,661,342		10,120,776
Permanently restricted		6,011,178		6,011,178
Total Net Assets		26,235,460		30,946,483
Total Liabilities and Net Assets	$	39,143,437	$	33,536,027

See Notes to Consolidated Financial Statements

Citi Peforming Arts Center, Inc.SM

Consolidated Statements of Activities and Changes in Net Assets
Years Ended May 31, 2009 and 2008

	2009	2008
Changes in Unrestricted Net Assets		
Operating Revenues		
Box office receipts	$ 10,549,407	$ 13,716,528
Theatre operations	3,702,749	1,977,743
Not-for-profit discounts	(1,141,830)	(1,058,452)
Citibank sponsorship, net	1,697,349	1,262,015
Contributions and special events	1,135,537	1,138,877
Investment income designated for operations	389,000	512,000
Interest income	1,264	20,089
Net assets released from restrictions	1,806,402	1,281,793
Total revenues	18,139,878	18,850,593
Operating Expenses		
Third party presenters' share of box office receipts	9,186,246	9,511,616
Theatre operations	4,760,201	6,027,696
General and administrative	3,429,158	3,704,896
Fundraising costs	924,858	787,417
Public programming	600,624	444,143
Education programming	464,587	381,834
Total expenses	19,365,674	20,857,602
Decrease in unrestricted net assets from operations	(1,225,796)	(2,007,009)
Nonoperating		
Write-off of investment in Commonwealth Shakespeare Company, LLC	(17,074)	-
Interest expense	(4,551)	-
Other	(4,168)	(41,748)
Decrease in unrestricted net assets from nonoperating activities	(25,793)	(41,748)
Decrease in unrestricted net assets	(1,251,589)	(2,048,757)
Changes in Temporarily Restricted Net Assets		
Contributions and fundraising events		
Contributions and pledges	1,271,711	358,364
Strategic planning	-	175,000
Renovation revenues	782,000	400,000
Education revenues	243,817	103,028
Public program revenues	112,298	418,881
Suskind Fund	6,339	16,648
Investment income and net realized/unrealized gains (losses) on investments	(4,069,197)	(286,864)
Net assets released from restrictions	(1,806,402)	(1,281,793)
Decrease in temporarily restricted net assets	(3,459,434)	(96,736)
Decrease in Net Assets	(4,711,023)	(2,145,493)
Net Assets at beginning of year	30,946,483	33,091,976
Net Assets at end of year	$ 26,235,460	$ 30,946,483

See Notes to Consolidated Financial Statements

Citi Peforming Arts Center, Inc.℠

Consolidated Statements of Cash Flows
Years Ended May 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Decrease in net assets	$ (4,711,023)	$ (2,145,493)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities		
Depreciation	1,094,822	947,758
Realized and unrealized losses on investments	4,071,545	100,206
Write down of carrying value of investments in productions	141,249	134,406
Changes in assets and liabilities		
Cash and cash equivalents held in escrow for advance ticket sales	(5,220,830)	1,288,024
Contributions receivable	(1,058,811)	(33,114)
Accounts receivable for advance ticket sales	(353,386)	53,249
Citibank sponsorship receivable	(171,369)	585,417
Other accounts receivable	(699,921)	52,794
Other assets	(806,935)	676,593
Accounts payable and accrued expenses	822,611	(426,105)
Unearned income	2,177,914	(15,006)
Deferred revenue for advance ticket sales	5,618,733	(1,341,273)
Net cash provided by (used in) operating activities	904,599	(122,544)
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,514,150)	(554,783)
Purchases of investments	(466,340)	(30,335,707)
Sales and maturities of investments	841,596	30,940,901
Investments in productions	(100,000)	(103,312)
Return of capital on investments in productions	5,390	16,018
Net cash used in investing activities	(1,233,504)	(36,883)
Cash Flows from Financing Activities		
Line of credit borrowings	1,500,000	-
Payments under capital lease obligation	(21,055)	
Net cash provided by financing activities	1,478,945	-
Net increase (decrease) in cash and cash equivalents	1,150,040	(159,427)
Cash and cash equivalents, beginning of year	137,594	297,021
Cash and cash equivalents, end of year	$ 1,287,634	$ 137,594

Supplemental Disclosure of Cash Flow Information

Purchases of equipment under capital lease	$ 220,230	

See Notes to Consolidated Financial Statements

Note 1. Organization

Citi Performing Arts Center, Inc. SM (the "Center"), formerly the Wang Center for the Performing Arts, Inc., is a not-for-profit organization dedicated to presenting performing artists and cultural attractions from around the world to all citizens of New England. In addition, the Center strives to educate and inspire a greater appreciation for the performing arts as an integral component to the fabric of our society.

On December 1, 2006, the Center entered into a long-term agreement with Citibank, N.A. ("Citi"), to further promote the vision and programming of the Center in the City of Boston. The Center was renamed to reflect Citibank's funding commitment; additional benefits to Citi include various sponsorship opportunities. Payment terms escalate 3% per year during the minimum ten (10) year term, with Citi having an option to renew for five (5) additional years. Citi does have early termination rights, after year four (4) of the agreement term, with significant penalties.

In August 2008, the Center announced a new co-booking arrangement with Madison Square Garden Entertainment ("MSGE"), a worldwide entertainment company recognized for its signature combination of event production and entertainment marketing. The arrangement, which was amended and executed on November 21, 2008, will bring additional broad-based performances to the Wang Theatre. The long-term agreement with MSGE is expected to expand the number and breadth of shows at the Wang Theatre and will include many performances that might not otherwise have toured in Boston. As part of the agreement, MSGE made a one-time $2 million sponsorship contribution to the Center which will be used to support projects and initiatives that have direct community impact and benefit. The sponsorship amount will be recognized on a straight-line basis over the ten year contract term.

The Center, following a corporate reorganization in 1996, became the sole member of the Wang Theatre, Inc., Tremont Theatre, Inc., and Wang Center Productions, Inc. (now known as Citi Performing Art Center Productions, Inc.). The three subsidiaries manage the operating and performance activities of the Wang and Shubert Theatres in Boston. The Center maintains overall responsibility for general and administrative, marketing and fundraising activities. In addition, the Center provides community outreach, public programming, and education programs.

During 2009, pursuant to the co-booking arrangement with MSGE, the Center created an independent for-profit subsidiary called Wang Theatre Presents, Inc. ("WTP"), which will account for events booked in the Wang Theatre. WTP operates under a licensing agreement with Wang Theatre, Inc., which grants WTP a license to use and occupy the theater for licensed events, and with Citi Performing Arts Center, Inc., which agrees to make available and provide to WTP certain professional and administrative staffing, office equipment, furniture, and supplies, technology, and administrative support, in exchange for fees equal to the costs for such services or rent reasonably attributable to those events booked in the Wang Theatre.

On June 1, 2003, the Center and Commonwealth Shakespeare Company, Inc. (collectively as the "Members") entered into a Limited Liability Company Agreement for Commonwealth Shakespeare Company, LLC ("CSC") for the purpose of the furtherance of the charitable and educational purposes of the Members and including the production annually of Free Shakespeare on Boston Common. The Center had a 99% interest in CSC and is the controlling member. During October 2008, the Members mutually agreed to dissolve CSC and return the name and certain other assets to Commonwealth Shakespeare Company, Inc.

The Center appoints all subsidiary trustees. The Center and its subsidiaries are collectively referred to herein as the "Center."

Note 2. Summary of Significant Accounting Policies

Principles of consolidation: The accompanying consolidated financial statements are presented on the accrual basis of accounting and include the accounts and activities of the Center as well as Wang Theatre, Inc., Wang Theatre Presents, Inc., Tremont Theatre, Inc., Citi Performing Arts Center Productions, Inc., and CSC. All intercompany activity has been eliminated.

Classification and reporting of net assets: The Center's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Center that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Center as well as funds invested in plant, including buildings and equipment

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations.

  Temporarily restricted net assets also include, pursuant to Massachusetts law, cumulative appreciation and reinvested gains on permanently restricted endowment funds which are subject to prudent appropriation for their intended purpose by the Finance Committee of the Board of Directors in accordance with terms of the endowment, the bylaws of the Center, and provisions of Massachusetts law.

- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center.

The Center has adopted FASB Staff Position ("FSP") No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA is a model act approved by the Uniform Law Commission ("ULC"; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. Massachusetts adopted UPMIFA on June 30, 2009.

Revenues: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Note 2. Summary of Significant Accounting Policies (continued):

Revenues (continued): Dividends, interest and net gains on investments are reported as follows:

- as increases in temporarily restricted net assets if the terms of the gift or relevant state law impose restrictions on the current use of the income or net gains. The Center has relied on the Massachusetts Attorney General's interpretation that unappropriated endowment gains should generally be classified as temporarily restricted.

- as increases in unrestricted net assets in all other cases.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. As of May 31, 2009, contributions to be received after one year were discounted using rates ranging from 0.30% – 2.30%. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history and the type of contribution.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Endowment Net Assets: The Finance Committee of the Board of Directors has interpreted Massachusetts General Law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Finance Committee and expended. Massachusetts General Law allows the Finance Committee to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering the Center's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. In the absence of evidence to the contrary, Chapter 180A (the "Uniform Management of Institutional Funds") of the Commonwealth of Massachusetts General Law ("Chapter 180A") defines prudent as expending realized and unrealized gains up to 7% of such assets per year.

Each year, at the discretion of the Finance Committee and as determined in the annual operating budget, 5% of the average market value of the Wang Endowment investment portfolio of each of the preceding twelve quarters is applied to operations. As a result of that calculation, a portion of cumulative net realized gains and net appreciation is allocated to operations in accordance with the Center's investment policies and procedures. During the years ended May 31, 2009 and 2008, the Finance Committee approved the transfer of $512,000 and $694,000, respectively.

Note 2. Summary of Significant Accounting Policies (continued):

Endowment Net Assets (continued): The Finance Committee has adopted investment and spending policies for endowment assets that attempt to grow the market value of assets net of inflation, normal spending rate, administrative and investment expenses over the long-term in perpetuity without undue exposure to risk. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as Finance Committee-designated funds. Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to produce results that will grow at a rate of 5% above the nominal rate of inflation, net of investment expenses. Actual returns in any given year will vary from this amount.

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Since the Endowment assets are expected to endure into perpetuity, and because inflation is a key component in its performance objective, the long-term risk of not investing in securities offering real growth potential outweighs the short-term volatility risk. As a result, a majority of assets will be invested in equity or equity-like securities. Absolute return investments, which can invest across a range of asset classes with greater flexibility (i.e., short selling, leverage, etc.) and will have less liquidity than equity or fixed income securities, will be used to provide long term growth at a level consistent with the overall investment objective for the Endowment assets, with lower volatility, a lower correlation to traditional asset classes and diversification benefits. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Other asset classes may be included to provide diversification and incremental return.

Operations: The consolidated statement of activities reports all changes in net assets, including changes in unrestricted net assets from operations. Operating revenues consist of those items attributable to the Center's theatre activities.

Theatre revenue recognition: Theatre revenue is recognized as the related performances occur. Box office receipts represent the value of all tickets sold. Theatre operations revenues are comprised of theatre rental income and other fees, transaction commissions, and function sales, net of related expenses.

Citi Naming Rights Agreement: The Center is treating the Citi naming rights agreement as an executory contract, providing payments in exchange for sponsorship activities. Future quarterly payments will be recognized under a straight-line policy over each year of the contract term. Operating revenue related to the naming rights agreement is presented net of commissions and fulfillment expenses.

Cash and cash equivalents: Highly liquid investments with an initial maturity of three months or less when purchased are recognized as cash equivalents.

Investments in productions: Investments in productions are recorded at cost and amortized as performances occur or as recoupment payments are received. Investments in production are reviewed at least annually for impairment, or when the Center is informed of the cancellation or the early closing of a national tour or a Broadway run for a show investment. The carrying amount of an asset is adjusted whenever events or changes in forecasts indicate that the carrying amount of the asset may not be recoverable. Payments in excess of the asset are recognized as income in the period in which they are received.

Note 2. Summary of Significant Accounting Policies (continued):

Investments: Investments in debt and equity securities are recorded at fair value, based on published market prices, and realized and unrealized gains and losses are reflected in the statement of activities. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. The Center invests cash in excess of daily requirements in short-term investments.

During 2009, the Center adopted Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements,* issued by the Financial Accounting Standards Board (“FASB”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurements. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, SFAS No. 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under SFAS No. 157, fair value measurements are separately disclosed by level within the fair value hierarchy. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

> Level I: Valuations for assets traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.
>
> Level II: Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.
>
> Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and institutional mutual funds. Institutional mutual funds are typically structured like public mutual funds, except that they are marketed and distributed only to institutional investors and have additional purchase and redemption restrictions.

Property and equipment: Property and equipment are recorded at cost or, if donated, at fair value as of the date of the gift. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The cost and related accumulated depreciation of assets replaced, retired or disposed of are eliminated from property and equipment accounts, and any gains or losses are reflected in income.

Advertising: Advertising costs are incurred to promote performances which the Center is presenting and to promote institutional advancement. These costs are expensed in the same period the related production or promotion occurs. The Center incurred advertising costs in the amount of $464,834 and $1,008,721 for the years ended May 31, 2009 and 2008, respectively.

Note 2. Summary of Significant Accounting Policies (continued):

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

Tax status: The Center and its subsidiaries, excluding the newly formed Wang Theatre Presents, Inc., are not-for-profit organizations as described under Internal Revenue Code ("IRC") Section 501(c)(3) and are generally exempt from income taxes under IRC Section 501(a) and are exempt from private foundation status under IRC Sections 509(a)(1) and 509(a)(3), respectively. The Center and its not-for profit subsidiaries are also generally exempt from Massachusetts state income taxes. As described in Note 1, Wang Theatre Presents, Inc. is organized under the provisions of Subchapter C of the Internal Revenue Code; therefore, its earnings are subject to federal and state income taxes at applicable rates.

Wang Theatre Presents, Inc. follows SFAS No. 109, *Accounting for Income Taxes.* Under this statement, income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes.

Deferred income taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when recovered or settled. Deferred income taxes are also recognized for net operating losses and tax credits that are available to offset future taxable income. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Wang Theatre Presents, Inc. has a net operating loss deferred tax asset of approximately $598,000, which expires in 2024, and is fully reserved as of May 31, 2009.

Concentrations of credit risk: Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of temporary cash investments. The Center places its temporary cash investments with a financial institution, which invests primarily in securities backed by the United States Government.

Recent accounting pronouncements: In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

Note 2. Summary of Significant Accounting Policies (continued)

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Center has elected this deferral and accordingly will be required to adopt FIN 48 in its fiscal year 2010 annual financial statements. Prior to adoption of FIN 48, the Center will continue to evaluate its uncertain tax positions and related income tax contingencies under SFAS No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Center to accrue for losses it believes are probable and can be reasonably estimated. The adoption of this statement is not expected to have a material effect on the Center's financial position, results of operations or cash flows.

In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Center adopted SFAS No. 157 for the fiscal year beginning June 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until our fiscal year beginning June 1, 2009. The Center is currently assessing the potential effect of the adoption of the remaining provisions of SFAS no. 157 on its financial position, results of operations and cash flows.

Reclassifications: Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

Note 3. Investments

Investments at May 31, 2009 and 2008 are as follows:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Short term investments	$447,274	$447,274	$ 53,154	$ 53,154
Mutual funds	12,998,631	9,965,477	15,789,192	14,806,398
Equity securities	7,000	7,000	7,000	7,000
	$13,452,905	$10,419,751	$15,849,346	$ 14,866,552

Note 3. Investments (continued):

The following table summarizes the valuation of the Center's investments by the SFAS No. 157 fair value hierarchy levels as of May 31, 2009:

Assets Measured at Fair Value on a Recurring Basis
Fair Value Measurements Using

	Quoted Prices	Observable Inputs	Unobservable Inputs	Total May 31, 2009
Assets	Level I	Level II	Level III	
Short term investments	$ 447,274	$ -	$ -	$ 447,274
Mutual funds	9,965,477	-	-	9,965,477
Equity securities	-	-	7,000	7,000
Total	$ 10,412,751	$ -	$ 7,000	$ 10,419,751

The Center closed two of its investment accounts during FY 2008 and consolidated them with a new financial institution. The transaction reflected a combination of liquidating investments held at the time and transferring others. The Center re-invested these funds into mutual funds with the new financial institution.

Investment activity for the years ended May 31, 2009 and 2008 is summarized as follows:

	2009	2008
Interest and dividends	$ 463,187	$ 397,404
Net realized gain (loss)	(1,954,927)	1,991,377
Net unrealized gain (loss)	(2,116,618)	(2,091,583)
Management fees	(71,839)	(95,042)
Total return on investments	(3,680,197)	202,156
Investment return designated for current operations	(389,000)	(512,000)
Investment return in excess of amounts designated for current operations	$ (4,069,197)	$ (309,844)

Note 4. Contributions Receivable

Contributions receivable at May 31, 2009 and 2008 are classified as follows:

	2009	2008
Due within one year	$ 1,260,853	$ 826,580
Due within two to five years	775,227	150,001
Less unamortized discount	(19,995)	(19,307)
	$ 2,016,085	$ 957,274

Note 5. Property and Equipment

The components of property and equipment at May 31, 2009 and 2008 are as follows:

	Estimated Useful Life	2009	2008
Leasehold improvements	5-40 years	$ 31,552,858	$ 30,091,510
Office furniture and equipment	5-10 years	462,732	462,732
Theatre and concession equipment	5-10 years	550,498	550,107
Computer software & equipment	3-10 years	1,069,602	851,491
Equipment under capital lease	7-10 years	220,229	-
Land		65,000	65,000
Construction in progress		55,322	241,862
		33,976,241	32,262,702
Less: Accumulated depreciation		(18,871,430)	(17,797,449)
Net Book Value		$ 15,104,811	$ 14,465,253

Depreciation charged to operations in the amount of $1,094,822 and $947,758 for the years ended May 31, 2009 and 2008, respectively, has been allocated to program, general & administrative and fundraising expenses based on the estimated percentage of square footage by each functional area. Accumulated amortization on leased computer hardware and telephone system was $7,745 as of May 31, 2009.

Note 6. Line of Credit

During the year ended May 31, 2008, the Center established a secured revolving line of credit with a financial institution that provides for maximum borrowings up to $2,000,000. The line of credit agreement is collateralized by a first security interest in all of the Center's investments. As of May 31, 2009 there was an outstanding balance of $1,500,000 on this line. Any advances on the line are payable on January 31, 2010 with interest payable monthly at the Wall Street Journal Prime Rate less 1.5% (1.75% as of May 31, 2009) or at the Center's election at LIBOR plus 0.65% (.9923% as of May 31, 2009). The interest rate in effect at May 31, 2009 was .8884%.

Note 7. Capital Leases

During the year ended May 31, 2009, the Center has entered into two capital leases for three years each. The first lease agreement commenced May 1, 2009 and the second agreement began September 1, 2008. Monthly capital lease payments for both leases including interest ranging from 0% to 8.84% are $4,089 and $2,477, respectively. The leases are secured by the equipment.

	2009
Equipment Lease 1	$ 135,706
Equipment Lease 2	63,469
Total capital lease obligation	$ 199,175

Note 7. Capital Leases (continued):

Future minimum lease payments under the capital leases are as follows:

Year ending May 31:	
2010	$ 78,611
2011	78,795
2012	52,954
	210,360
Less: amount representing interest	(11,185)
Present value of minimum lease payments	$ 199,175

Note 8. Advance Ticket Sales

Wang Theatre, Inc. and Tremont Theatre, Inc. (the "Theatres") had collected cash from the advance sales of tickets of $5,804,893 and $584,063 at May 31, 2009 and 2008, respectively. In addition, the Theatres were owed $367,567 and $14,181 as of May 31, 2009 and 2008, respectively, for advance ticket sales by outside ticket agents.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at May 31, 2009 and 2008 are as follows:

	2009	2008
Time Restrictions		
Wang	$ 900,000	$ -
Other	372,005	710,194
Purpose Restrictions		
Education department programs and The Walter Suskind Memorial Fund	2,318,196	3,874,826
Restoration Grants	1,182,000	400,000
Commonwealth Shakespeare Company LLC Productions (CSC)	-	434,738
Accumulated appreciation on permanently restricted net assets subject to Board appropriations	1,889,141	4,701,018
	$ 6,661,342	$ 10,120,776

The Walter Suskind Memorial Fund (the "Fund") was established to support the activities and outreach programs of the Center's *Education department.* Contributions received are classified as temporarily restricted, to either *Education department programs* or to the Fund based on donor-imposed restrictions. The Walter Suskind Memorial Fund Advisory Committee is authorized to expend the Fund's income and principal in support of *Education department programs*. Amounts released were $466,794 and $389,400 for the years ended May 31, 2009 and 2008, respectively.

Net assets released related to CSC's charitable and educational purposes and annual productions were $547,036 and $444,143 for the years ended May 31, 2009 and 2008, respectively.

Note 9. Temporarily Restricted Net Assets (continued):

Net assets released based upon the expiration of time restrictions were $697,820 and $273,250 for the years ended May 31, 2009 and 2008, respectively. In addition, other releases of restricted net assets totaled $94,752 for the year ended May 31, 2009.

Note 10. Endowment Net Assets

The following is summary of endowment net asset composition by type of fund at May 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor Restricted Endowment Funds	$ -	$ 1,889,141	$ 6,011,178	$ 7,900,319
Total Funds	$ -	$ 1,889,141	$ 6,011,178	$ 7,900,319

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Endowment Net assets, beginning of year	$ -	$ 4,701,018	$ 6,011,178	$ 10,712,196
Contributions	-	-	-	-
Investment return:				
Investment income	-	303,968	-	303,968
Net depreciation (realized and unrealized)	-	(2,679,650)	-	(2,679,650)
Total investment return	-	(2,375,682)	-	(2,375,682)
Appropriation of endowment assets For expenditure	-	(389,000)	-	(389,000)
Other changes	-	(47,195)	-	(47,195)
Endowment Net assets, end of year	$ -	$ 1,889,141	$ 6,011,178	$ 7,900,319

Note 11. Commitments and Contingencies

Commitments:

The Center leases the Wang Theatre, the Shubert Theatre, the Shubert Theatre parking lot and various office spaces under leases that run from 1982 through 2019, with extensions for up to an additional 40 years on the Theatres. Total lease payments were $509,632 and $536,000 for the years ended May 31, 2009 and 2008, respectively.

A description of the Center's Theatre leases is as follows:

Note 11. Commitments and Contingencies (continued):

Wang Theatre: The Wang Theatre is leased from the Tufts Medical Center (the "Landlord") under a lease agreement which has an initial term through June 30, 2019 and gives the tenant the right to extend the term of the lease for an additional 40 years. Effective July 1, 1996, the lease was assigned by the Center to the Wang Theatre, Inc. Under the lease, the annual basic rent for the Wang Theatre is the greater of (a) $50,000 with certain defined cost-of-living adjustments commencing in fiscal 1987, or (b) in respect to each day, during the next preceding lease year during which there was only one performance: $200 if such performance was noncommercial and $275 if such performance was commercial, subject to specified adjustments, or (c) an amount equal to 6% of the first $1,000,000 of gross rental revenues, as defined by the lease agreement, during the next preceding lease year, and 7% of gross rental revenues in excess of $1,000,000 during the next preceding lease year. In addition to paying for the basic rent, Wang Theatre, Inc. is obligated to pay all personal property and real estate taxes levied against the premises, as well as all other costs and expenses related to the premises, unless expressly excepted in the lease agreement as the parties intended the lease to be a "net" lease.

Shubert Theatre: The Shubert Theatre lease was executed on June 19, 1996 and expires on August 31, 2016, with the right to extend the term of the lease for two consecutive ten-year periods. The annual base rent is $52,000 per year plus $200 per performance. Consumer Price Index adjustments have been computed for lease years five and forward. In addition, the Tremont Theatre, Inc. is obligated to pay all personal property and real estate taxes levied against the premises, as well as all other costs and expenses related to the premises (unless expressly excepted).

Total commitments for all operating leases are as follows:

Year ending May 31:	
2010	$ 376,221
2011	278,672
2012	220,132
2013	220,132
2014	220,132
Thereafter	941,853
	$ 2,257,142

During the year ended May 31, 2009 the Center terminated one of its lease agreements for rehearsal and meeting space, with associated termination costs of $171,372.

Contingencies:

The Center currently has unionized employees whose union contracts have either expired or are due to expire in the near future.

At May 31, 2009 and 2008, the Center had entered into certain presentation agreements with various production companies. These agreements are standard in the Center's industry, and, for each presentation agreement, there is the potential for either an increase or decrease in net assets based on the results of the presentation.

Note 11. Commitments and Contingencies (continued):

During fiscal year 2009, the Landlord of the Wang Theatre exercised its right to audit the calculation of the rents paid for 2007, 2008, and 2009. The Center has accrued an amount as of May 31, 2009, which it estimates to be sufficient to defend or pay any claims that may arise from the audit. Subsequent to the audit, the landlord notified the Center of a claim for additional amounts owed based on its interpretation of the Wang Theatre lease agreement. Should the Center be unsuccessful in sustaining its interpretation, additional costs would need to be accrued.

Note 12. Retirement Plan

The Center sponsors a retirement plan ("The Citi Performing Arts Retirement Plan" formerly "The Wang Center Retirement Plan") under Section 401(k) of the Internal Revenue Code. The plan provides a discretionary matching contribution and lump-sum discretionary contribution. The Center contributed $57,433 and $46,880 in accordance with the 3% matching provision declared for 2009 and 2008, respectively. During 2009, $30,078 of the 3% matching provision was funded by forfeitures within the plan. The Center made no lump-sum contributions for each of the years ended May 31, 2009 and 2008. Any lump-sum discretionary contribution would be distributed using a formula based upon salary level. The plan contains a graduated vesting schedule with participants becoming 100% vested after five years of service.

Note 13. Subsequent Event

In preparing these financial statements, Management has evaluated events and transactions for potential recognition or disclosure through January 21, 2010, the date the financial statements were available to be issued.

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Citi Performing Arts Center, Inc. SM
Boston, MA

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Burlington, MA
January 21, 2010

Citi Peforming Arts Center, Inc. SM

Consolidating Financial Statements
As of May 31, 2009
Statement of Financial Position

	Citi Performing Arts Center SM, Inc.	Wang Theatre, Inc.	Wang Theatre Presents, Inc.	Tremont Theatre, Inc.	Citi Performing Arts Center SM Productions, Inc.	CSC, LLC	Combined Totals	Eliminating Entries Dr	Eliminating Entries Cr	Consolidated Totals
Assets										
Cash and cash equivalents	$ 291,078	$ 943,343	$ 6,400	$ 23,637	$ 23,176	$ -	$ 1,287,634	$ -	$ -	$ 1,287,634
Cash and cash equivalents held in escrow for advance ticket sales	-	-	751,178	5,053,715	-	-	5,804,893	-	-	5,804,893
Contributions receivable	2,016,085	-	-	-	-	-	2,016,085	-	-	2,016,085
Accounts receivable for advance ticket sales	-	-	292,355	75,212	-	-	367,567	-	-	367,567
Citibank sponsorship receivable	335,952	-	-	-	-	-	335,952	-	-	335,952
Other accounts receivable	3,311	538,961	266,845	2,502	968	-	812,587	-	-	812,587
Investments, at fair value	10,419,751	-	-	-	-	-	10,419,751	-	-	10,419,751
Investments in productions	-	-	-	-	2,014,477	-	2,014,477	-	-	2,014,477
Property and Equipment, net	615,120	10,948,126	27,672	3,513,893	-	-	15,104,811	-	-	15,104,811
Other Assets	17,423,989	(4,147,905)	(836,344)	(5,050,558)	(6,409,502)	-	979,680	-	-	979,680
Total Assets	$ 31,105,286	$ 8,282,525	$ 508,106	$ 3,618,401	$ (4,370,881)	$ -	$ 39,143,437	$ -	$ -	$ 39,143,437
Liabilities and Net Assets										
Line of credit borrowings	$ 1,500,000	$ -	$ -	$ -	$ -	$ -	$ 1,500,000	$ -	$ -	$ 1,500,000
Accounts payable and accrued expenses	660,902	954,925	913,108	213,141	13,954	-	2,756,030	-	-	2,756,030
Liability under capital lease	199,175	-	-	-	-	-	199,175	-	-	199,175
Unearned income	1,875,000	201,404	-	159,391	-	-	2,235,795	-	-	2,235,795
Deferred revenue for advance ticket sales	-	-	1,090,200	5,126,777	-	-	6,216,977	-	-	6,216,977
Total Liabilities	4,235,077	1,156,329	2,003,308	5,499,309	13,954	-	12,907,977	-	-	12,907,977
Net assets:										
Unrestricted:										
Working capital and other reserves	13,781,744	(3,821,930)	(1,522,874)	(5,394,801)	(4,384,835)	-	(1,342,696)	(195,241)	(195,241)	(1,342,696)
Net investment in property and equipment	415,945	10,948,126	27,672	3,513,893	-	-	14,905,636	-	-	14,905,636
Total unrestricted net assets	14,197,689	7,126,196	(1,495,202)	(1,880,908)	(4,384,835)	-	13,562,940	(195,241)	(195,241)	13,562,940
Temporarily restricted	6,661,342	-	-	-	-	-	6,661,342	-	-	6,661,342
Permanently restricted	6,011,178	-	-	-	-	-	6,011,178	-	-	6,011,178
Total Net Assets	26,870,209	7,126,196	(1,495,202)	(1,880,908)	(4,384,835)	-	26,235,460	(195,241)	(195,241)	26,235,460
Total Liabilities and Net Assets	$ 31,105,286	$ 8,282,525	$ 508,106	$ 3,618,401	$ (4,370,881)	$ -	$ 39,143,437	$ (195,241)	$ (195,241)	$ 39,143,437

Citi Peforming Arts Center, Inc. SM

Consolidating Financial Statements
For the year ended May 31, 2009
Statement of Activities and Changes in Net Assets

	Citi Performing Arts Center SM, Inc.	Wang Theatre, Inc.	Wang Theatre Presents, Inc.	Tremont Theatre, Inc.	Citi Performing Arts Center SM Productions, Inc.	CSC, LLC	Combined Totals	Eliminating Entries Dr	Eliminating Entries Cr	Consolidated Totals
Changes in unrestricted net assets:										
Operating Revenues:										
Box office receipts	$ -	$ -	$ 10,170,361	$ 379,046	$ -	$ -	$ 10,549,407	$ -	$ -	$ 10,549,407
Theatre operations	166,139	151,976	2,869,049	529,105	(13,520)	-	3,702,749	-	-	3,702,749
Not-for-profit discounts	-	-	(626,014)	(515,816)	-	-	(1,141,830)	-	-	(1,141,830)
Citibank sponsorship, net	1,697,635	(286)	-	-	-	-	1,697,349	-	-	1,697,349
Contributions and special events	1,115,537	-	20,000	-	-	-	1,135,537	-	-	1,135,537
Investment income designated for operations	389,000	-	-	-	-	-	389,000	-	-	389,000
Interest income	-	297	-	967	-	-	1,264	-	-	1,264
Net assets released from restrictions	1,806,402	-	-	-	-	-	1,806,402	-	-	1,806,402
Total revenues	5,174,713	151,987	12,433,396	393,302	(13,520)	-	18,139,878	-	-	18,139,878
Operating expenses:										
Third party presenters' share of box office receipts	-	-	9,184,734	1,512	-	-	9,186,246	-	-	9,186,246
Theatre operations	655,222	221,433	3,030,105	744,388	109,053	-	4,760,201	-	-	4,760,201
General and administrative	1,063,856	299,834	1,713,759	287,983	63,726	-	3,429,158	-	-	3,429,158
Fundraising costs	924,858	-	-	-	-	-	924,858	-	-	924,858
Public programming	600,624	-	-	-	-	-	600,624	-	-	600,624
Education programming	466,230	-	-	(1,643)	-	-	464,587	-	-	464,587
Total expenses	3,710,790	521,267	13,928,598	1,032,240	172,779	-	19,365,674	-	-	19,365,674
Increase (decrease) in unrestricted net assets from operations	1,463,923	(369,280)	(1,495,202)	(638,938)	(186,299)	-	(1,225,796)	-	-	(1,225,796)
Nonoperating:										
Write-off of investment in Commonwealth Shakespeare Company, LLC	-	-	-	-	-	-	-	-	-	-
Forgiveness of debt	(9,736)	(672)	-	(6,666)	-	195,241	178,167	195,241	-	(17,074)
Interest expense	(4,551)	-	-	-	-	-	(4,551)	-	-	(4,551)
Other	(4,168)	-	-	-	-	-	(4,168)	-	-	(4,168)
Increase/(decrease) in unrestricted net assets from nonoperating activities	(18,455)	(672)	-	(6,666)	-	195,241	169,448	195,241	-	(25,793)
Increase (decrease) in unrestricted net assets	1,445,468	(369,952)	(1,495,202)	(645,604)	(186,299)	195,241	(1,056,348)	195,241	-	(1,251,589)
Changes in temporarily restricted assets:										
Contributions and fundraising events:										
Contributions and pledges	1,271,711	-	-	-	-	-	1,271,711	-	-	1,271,711
Strategic planning	-	-	-	-	-	-	-	-	-	-
Renovation revenues	782,000	-	-	-	-	-	782,000	-	-	782,000
Education revenues	243,817	-	-	-	-	-	243,817	-	-	243,817
Public program revenues	112,298	-	-	-	-	-	112,298	-	-	112,298
Suskind Fund	6,339	-	-	-	-	-	6,339	-	-	6,339
Net assets released from restrictions	(1,806,402)	-	-	-	-	-	(1,806,402)	-	-	(1,806,402)
Investment income and net realized/unrealized gains (losses) on investments	(4,069,197)	-	-	-	-	-	(4,069,197)	-	-	(4,069,197)
Increase (decrease) in temporarily restricted net assets	(3,459,434)	-	-	-	-	-	(3,459,434)	-	-	(3,459,434)
Increase (decrease) in net assets	(2,013,966)	(369,952)	(1,495,202)	(645,604)	(186,299)	195,241	(4,515,782)	195,241	-	(4,711,023)
Net assets, beginning of year	28,884,175	7,496,148	-	(1,235,304)	(4,198,536)	(195,241)	30,751,242		195,241	30,946,483
Net assets, end of year	$ 26,870,209	$ 7,126,196	$ (1,495,202)	$ (1,880,908)	$ (4,384,835)	$ -	$ 26,235,460	$ 195,241	$ 195,241	$ 26,235,460