Citi Performing Arts Center, Inc. SM

Consolidated Financial Report
Years ended May 31, 2010 and 2009

Contents

Independent Auditor's Report

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

We have audited the accompanying consolidated statements of financial position of the Citi Performing Arts Center, Inc. SM (the "Center") as of May 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these consolidated 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 audits 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 Center as of May 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Boston, Massachusetts
November 19, 2010

Citi Peforming Arts Center, Inc.SM

Consolidated Statements of Financial Position
May 31, 2010 and 2009

Assets		**2010**		2009
Cash and cash equivalents	**$**	**3,186,852**	$	1,287,634
Cash and cash equivalents held in escrow for advance ticket sales		**953,990**		5,804,893
Contributions receivable, net		**812,927**		2,016,085
Accounts receivable for advance ticket sales		**68,489**		367,567
Citibank sponsorship receivable		**-**		335,952
Other accounts receivable		**333,056**		812,587
Investments, at fair value		**12,036,096**		10,419,751
Investments in productions		**351,025**		2,014,477
Property and equipment, net		**14,862,708**		15,104,811
Other assets		**419,232**		979,680
Total Assets	**$**	**33,024,375**	$	39,143,437

Liabilities and Net Assets				
Line of credit borrowings	**$**	**1,000,000**	$	1,500,000
Accounts payable and accrued expenses		**1,950,405**		2,756,030
Obligation under capital leases		**139,012**		199,175
Unearned income		**1,960,409**		2,235,795
Deferred revenue for advance ticket sales		**1,022,479**		6,216,977
Total Liabilities		**6,072,305**		12,907,977
Net assets				
Unrestricted				
Working capital and other reserves (deficit)		**(176,697)**		(1,342,696)
Net investment in property and equipment		**14,723,696**		14,905,636
Total unrestricted net assets		**14,546,999**		13,562,940
Temporarily restricted		**6,393,893**		6,661,342
Permanently restricted		**6,011,178**		6,011,178
Total Net Assets		**26,952,070**		26,235,460
Total Liabilities and Net Assets	**$**	**33,024,375**	$	39,143,437

See Notes to Consolidated Financial Statements

Citi Peforming Arts Center, Inc. SM

Consolidated Statements of Activities
Years Ended May 31, 2010 and 2009

	2010	2009
Changes in Unrestricted Net Assets		
Operating Revenues		
Box office receipts	**$ 21,096,324**	$ 10,706,274
Theatre operations	**14,126,368**	9,908,808
Not-for-profit discounts	**(377,635)**	(1,104,971)
Sponsorships, net of commissions and fees of $552,493 and $469,088 for 2010 and 2009, respectively	**1,872,448**	2,010,874
Contributions and special events	**239,745**	561,363
Investment return appropriated for operations	**363,340**	389,000
Interest income	**10,713**	1,492
Net assets released from restrictions	**2,686,674**	1,806,402
Total revenues	**40,017,977**	24,279,242
Operating Expenses		
Third party presenters' share of box office receipts	**16,822,099**	9,565,293
Theatre operations	**15,087,787**	10,462,262
General and administrative	**4,263,746**	3,011,723
Fundraising costs	**738,268**	897,590
Public programming	**9,753**	1,037,747
Education programming	**434,658**	472,309
Total expenses	**37,356,311**	25,446,924
Changes in unrestricted net assets from operations	**2,661,666**	(1,167,682)
Non-operating		
Change in value of investment in productions, including write offs	**(1,661,004)**	-
Write off of investment in Commonwealth Shakespeare Company, LLC	**-**	(40,077)
Interest expense	**(16,603)**	(43,830)
Decrease in unrestricted net assets from nonoperating activities	**(1,677,607)**	(83,907)
Changes in unrestricted net assets	**984,059**	(1,251,589)
Changes in Temporarily Restricted Net Assets		
Contributions and pledges	**419,397**	1,271,711
Renovation revenues	**175,000**	782,000
Education revenues	**572,064**	243,817
Public program revenues	**-**	112,298
Suskind Fund	**-**	6,339
Investment return (loss) after appropriation for operations	**1,252,764**	(4,069,197)
Net assets released from restrictions	**(2,686,674)**	(1,806,402)
Decrease in temporarily restricted net assets	**(267,449)**	(3,459,434)
Change in Net Assets	**716,610**	(4,711,023)
Net Assets at beginning of year	**26,235,460**	30,946,483
Net Assets at end of year	**$ 26,952,070**	$ 26,235,460

See Notes to Consolidated Financial Statements

Citi Peforming Arts Center, Inc.[SM]

Consolidated Statements of Cash Flows
Years Ended May 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	**$ 716,610**	$ (4,711,023)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	**1,091,844**	1,094,822
Net realized and unrealized (gain) loss on investments	**(1,207,645)**	4,071,545
Write off of investment in productions	**1,639,004**	-
Equity loss in investment in production	**22,000**	141,249
Changes in:		
Cash and cash equivalents held in escrow for advance ticket sales	**4,850,903**	(5,220,830)
Contributions receivable, net	**1,203,158**	(1,058,811)
Accounts receivable for advance ticket sales	**299,078**	(353,386)
Citibank sponsorship receivable	**335,952**	(171,369)
Other accounts receivable	**479,531**	(699,921)
Other assets	**560,448**	(806,935)
Accounts payable and accrued expenses	**(805,625)**	822,611
Unearned income	**(275,386)**	2,177,914
Deferred revenue for advance ticket sales	**(5,194,498)**	5,618,733
Net cash provided by operating activities	**3,715,374**	904,599
Cash Flows from Investing Activities		
Purchases of property and equipment	**(849,741)**	(1,514,150)
Purchases of investments	**(408,700)**	(466,340)
Sales and maturities of investments	**-**	841,596
Investments in productions	**-**	(100,000)
Return of capital on investments in productions	**2,448**	5,390
Net cash used in investing activities	**(1,255,993)**	(1,233,504)
Cash Flows from Financing Activities		
(Repayments) borrowings on line of credit, net	**(500,000)**	1,500,000
Payments under capital lease obligation	**(60,163)**	(21,055)
Net cash (used in) provided by financing activities	**(560,163)**	1,478,945
Increase in cash and cash equivalents	**1,899,218**	1,150,040
Cash and cash equivalents, beginning of year	**1,287,634**	137,594
Cash and cash equivalents, end of year	**$ 3,186,852**	$ 1,287,634

Supplemental Disclosure of Cash Flow Information

Additions to equipment under capital lease	**$ 8,568**	$ 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.

The Center, following a corporate reorganization in 1996, became the sole member of the Wang Theatre, Inc., Tremont Theatre, Inc., and Citi Performing Arts 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.

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.

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

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 is being recognized on a straight-line basis over the ten year contract term.

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 the Center, which agrees to make available and provide to WTP certain professional and administrative staffing, office equipment, furniture, 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.

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. and Citi Performing Arts Center Productions, Inc. All intercompany activity has been eliminated.

Note 2. Summary of Significant Accounting Policies

Accounting standards codification: In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification (the "Codification"). Effective July 1, 2009, the Codification is the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"). The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered non-authoritative. The Codification is effective and has been adopted by the Center as of May 31, 2010. The Codification does not have an impact on the Center's consolidated financial condition or results of operations. However, because the Codification completely replaces existing standards, it will affect the way U.S. GAAP is referenced within the Center's consolidated financial statements.

Classification and reporting of net assets: The Center's consolidated financial statement presentation follows the recommendations of the *Financial Statements of Not-for-Profit Organizations* guidance of the Codification. Under this guidance, the Center is required to report information regarding its consolidated 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 property 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, investment earnings 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 Wang Endowment is the only donor-restricted endowment fund.

The Center has adopted the *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* guidance of the Codification. 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 guidance 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.

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

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 releases to unrestricted net assets.

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, 2010, contributions to be received after one year were discounted using rates ranging from 2.7% - 6.27%. 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 released to unrestricted net assets to reflect the expiration of such restrictions.

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 temporarily restricted net assets until appropriated by the Finance Committee and expended. Massachusetts General Law allows the Finance Committee to appropriate as much of investment earnings 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 spending.

Each year, at the discretion of the Finance Committee and as determined in the annual operating budget, 5% of the average fair value of the Wang Endowment of each of the preceding twelve quarters after management fees is appropriated for spending. As a result of this calculation, investment earnings are appropriated to operations in accordance with the Center’s investment policies and procedures. During the years ended May 31, 2010 and 2009, the Finance Committee appropriated for spending $363,340 and $389,000, 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 fair 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: Operating revenues consist of those items attributable to the Center's theatre activities, unrestricted contributions, and the annual transfer of endowment funds designated for operations. Non-operating items, including interest expense and non-recurring write offs of investments in production, are shown separately.

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, function sales and fees for reimbursed theatre event 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. For the years ended May 21, 2010 and 2009, the Center recognized net sponsorship revenue from the Citi naming rights agreement in the amount of $1,668,339 and $1,697,635, respectively.

Cash equivalents: Highly liquid short-term investments with an initial maturity of three months or less when purchased are recognized as cash equivalents, and are recorded at cost which approximates fair value.

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 that show. 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. During the year ended May 31, 2010, approximately $1,600,000 in assets were disposed of and written off. The remaining balance at May 31, 2010 represents a 20% equity investment in an unrelated production company.

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. Mutual fund investments are recorded at reported net asset values. The Center invests cash in excess of daily requirements in short-term investments.

During 2009, the Center adopted the *Fair Value Measurements* guidance of the Codification. The guidance defines fair value, establishes a framework for measuring fair value within GAAP, and expands disclosures about fair value measurements. Under this guidance, 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, the guidance establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under this guidance, 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 I 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.

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 revenue.

Advertising: Advertising costs are incurred to promote performances. The Center incurred advertising costs in the amount of $3,246,137 and $464,834 for the years ended May 31, 2010 and 2009, respectively.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities and disclosure of contingent consolidated assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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 (the "Code") Section 501(c)(3), are generally exempt from federal and state income taxes under the Code Section 501(a) and are also exempt from private foundation status under IRC Sections 509(a)(1) and 509(a)(3), respectively. As described in Note 1, Wang Theatre Presents, Inc. is organized under the provisions of Subchapter C of the Code; therefore, its earnings are subject to federal and state income taxes at applicable rates.

The Center has implemented the guidance for income taxes in accordance with ASC Topic 740, as it related to *Accounting for Uncertainty in Income Taxes*, which clarifies the treatment of the Center's position of accounting for income taxes recognized in the financial statements. The guidance also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in the tax return. In addition, it provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

These provisions became effective for the Center for the year ended May 31, 2010. The provisions are to be applied to all tax positions upon initial application of this standard, and only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption of this application.

Based on applying the effect of these provisions, there will be no impact to the financial statements requiring an adjustment to the opening balance of net assets for the adoption of this application. With few exceptions, the Center is no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for years before 2006.

Wang Theatre Presents, Inc. follows the *Accounting for Income Taxes* guidance of the Codification. Under this guidance, 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.

As of May 31, 2010 and 2009, Wang Theatre Presents, Inc. has cumulative net operating loss deferred tax assets of approximately $1,865,000 and $598,000, respectively. The net operating loss deferred tax assets begin to expire in 2024 and have been fully reserved at May 31, 2010 and 2009, as they are not expected to be utilized.

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.

Reclassifications: Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation. In prior years, certain reimbursed theatre event expenses incurred by the Center (approximately $6.1 million in 2009) were netted against theatre operations revenues. For both 2010 and 2009, these reimbursed expenses have been classified as a component of theatre operating expenses, and theatre operating revenues have been reported gross.

Note 3. Investments

Investments consisted of the following as of May 31:

	2010		2009	
	Cost	**Fair Value**	Cost	Fair Value
Cash equivalents	**$ 397,926**	**$ 397,926**	$ 447,274	$ 447,274
Exchange funds	**2,111,846**	**1,626,087**	2,061,334	1,317,035
Mutual funds	**11,376,652**	**10,005,083**	10,937,297	8,648,442
Equity securities	**7,000**	**7,000**	7,000	7,000
	$ 13,873,424	**$ 12,036,096**	$ 13,452,905	$ 10,419,751

The following table summarizes the valuation of the Center's investments by the fair value hierarchy levels as of May 31, 2010:

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

	Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total
Cash equivalents	$ 397,926	$ -	$ -	$ 397,926
Exchange funds	1,626,087	-	-	1,626,087
Mutual funds	10,005,083	-	-	10,005,083
Equity securities	-	-	7,000	7,000
Total	$ 12,029,096	$ -	$ 7,000	$ 12,036,096

The following table summarizes the valuation of the Center's investments by the fair value hierarchy levels as of May 31, 2009:

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

	Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total
Cash equivalents	$ 447,274	$ -	$ -	$ 447,274
Exchange funds	1,317,035	-	-	1,317,035
Mutual funds	8,648,442	-	-	8,648,442
Equity securities	-	-	7,000	7,000
Total	$ 10,412,751	$ -	$ 7,000	$ 10,419,751

Note 3. Investments (continued)

Investment return (loss) consisted of the following for the years ended May 31:

	2010	2009
Interest and dividends	$ 480,428	$ 463,187
Net realized gain (loss)	11,818	(1,954,927)
Net unrealized gain (loss)	1,195,827	(2,116,618)
Management fees	(71,969)	(71,839)
Return (loss) on investments	1,616,104	(3,680,197)
Investment return appropriated for operations	(363,340)	(389,000)
Investment return (loss) after appropriation for operations	$ 1,252,764	$ (4,069,197)

Note 4. Contributions Receivable

Contributions receivable consisted of the following at May 31:

	2010	2009
Amounts due within one year	$ 159,093	$ 1,260,853
Amounts due from one to five years	673,829	775,227
Less present value discount	(19,995)	(19,995)
	$ 812,927	$ 2,016,085

Note 5. Property and Equipment

Property and equipment consisted of the following as of May 31:

	Estimated Useful Life	2010	2009
Leasehold improvements	5-40 years	$ 32,262,244	$ 31,552,858
Office furniture and equipment	5-10 years	462,732	462,732
Theatre and concession equipment	5-10 years	567,354	550,498
Computer software and equipment	3-10 years	1,098,770	1,069,602
Equipment under capital lease	7-10 years	228,798	220,229
Land		65,000	65,000
Construction in progress		141,084	55,322
		34,825,982	33,976,241
Less: Accumulated depreciation		(19,963,274)	(18,871,430)
		$ 14,862,708	$ 15,104,811

Note 5. Property and Equipment (continued)

Depreciation charged to operations in the amount of $1,091,844 and $1,094,822 for the years ended May 31, 2010 and 2009, respectively, has been allocated to theatre operations, general and administrative and fundraising expenses based on the estimated percentage of square footage used by each of these functions. Accumulated amortization on leased computer hardware and telephone system was $34,583 and $7,745 as of May 31, 2010 and 2009, respectively.

Note 6. Line of Credit

In January, 2008, the Center established a secured revolving line of credit (the “Line”) with a financial institution that provides for maximum borrowings up to $2,000,000. The Line is collateralized by a first security interest in all of the Center’s investments. The Line calls for minimum monthly interest payments based on the Wall Street Journal’s Prime Rate less 1.5% or at the Center’s election, the LIBOR plus 0.65%. The interest rate in effect on all outstanding advances at May 31, 2009 was .8884% which was based on LIBOR. All outstanding balances on the Line were originally due on January 31, 2010. The outstanding balance at May 31, 2009 was $1,500,000.

On February 3, 2010, the Line was extended until January 31, 2012. The maximum amount of borrowing under the Line remained at $2,000,000. With the extension, the Center’s interest rate options changed to either the Wall Street Journal’s Prime Rate or to the one month, three month or twelve month LIBOR rate plus 1.35%. As of May 31, 2010, the Center had $1,000,000 outstanding on the Line and has elected LIBOR plus 1.35% on all outstanding advances. The interest rate in effect at on all outstanding advances at May 31, 2010 was 1.59863%

Note 7. Advance Ticket Sales

Wang Theatre, Inc. and Tremont Theatre, Inc. (the "Theatres") had collected cash from the advance sales of tickets of $1,022,479 and $6,216,977 through May 31, 2010 and 2009, respectively. In addition, the Theatres were owed $68,489 and $367,567 as of May 31, 2010 and 2009, respectively, for advance ticket sales collected by outside ticket agents.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at May 31:

	2010	2009
Time Restrictions		
Wang	**$ 750,000**	$ 900,000
Other	**50,847**	372,005
Purpose Restrictions		
Education department programs and The Walter Suskind Memorial Fund	**2,451,141**	2,318,196
Restoration Grants	**-**	1,182,000
Accumulated appreciation on permanently restricted net assets subject to future Board appropriation	**3,141,905**	1,889,141
	$ 6,393,893	$ 6,661,342

Note 8. Temporarily Restricted Net Assets (continued)

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 Fund's Advisory Committee is authorized to expend the Fund's income and principal in support of the Center's education department programs. Net assets released for the programs were $434,469 and $466,794 for the years ended May 31, 2010 and 2009, respectively.

Net assets released related to the Commonwealth Shakespeare Company, LLC's charitable and educational purposes and annual productions were $547,036 for the year ended May 31, 2009 only.

Net assets released based upon the expiration of time restrictions were $890,555 and $697,820 for the years ended May 31, 2010 and 2009, respectively. Net assets released for the restoration fund totaled $1,357,000 for the year ended May 31, 2010 only. In addition, other releases of restricted net assets totaled $4,650 and $94,752 for the years ended May 31, 2010 and May 31, 2009, respectively.

Note 9. Endowment Net Assets

The following is summary of endowment net asset composition by type of fund at May 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Wang Endowment Fund	$ -	$ 3,141,905	$ 6,011,178	$ 9,153,083
Total Funds	$ -	$ 3,141,905	$ 6,011,178	$ 9,153,083

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Endowment Net assets, beginning of year	$ -	$ 1,889,141	$ 6,011,178	$ 7,900,319
Investment return:				
Interest and dividends less management fees	-	408,459	-	408,459
Net realized and unrealized gain on investments	-	1,207,645	-	1,207,645
Total return on investment	-	1,616,104	-	1,616,104
Appropriation of investment return for expenditure	-	(363,340)	-	(363,340)
Endowment net assets, end of year	$ -	$ 3,141,905	$ 6,011,178	$ 9,153,083

Note 10. Commitments and Contingencies

Commitments:

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

The Center leases the Wang Theatre, the Shubert Theatre, the Shubert Theatre parking lot and various office space under leases that run through 2019, with extensions available for up to an additional 40 and 20 years on the Wang and Shubert Theatres, respectively. Total lease payments were $520,516 and $509,632 for the years ended May 31, 2010 and 2009, respectively.

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

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:	
2011	$ 278,672
2012	220,132
2013	220,132
2014	220,132
2015	220,132
Thereafter	721,721
	$ 1,880,921

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.

Note 10. Commitments and Contingencies (continued)

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, 2010 and 2009, 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.

In the ordinary course of business the Center may experience disputes with vendors and other parties. As of May 31, 2010, the Center has accrued amounts which it estimates to be sufficient to defend or pay any claims that may arise from such disputes, based upon the Center's interpretation of the issues. Should the Center not prevail in any dispute under its interpretations, additional costs would be accrued.

Note 11. 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 Code. The plan provides a discretionary matching contribution and lump-sum discretionary contribution. The Center contributed $56,980 and $57,433 in accordance with the 3% matching provision declared for 2010 and 2009, respectively. During 2010 and 2009, $0 and $30,078, respectively, 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, 2010 and 2009. 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 12. Subsequent Event

In September 2010, the Center and Citibank agreed on amendments to their long-term agreement, that included a minimum funding commitment for the original then (10) year term, with a mutual option to renew for five (5) additional years.

In preparing these consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 19, 2010, the date the consolidated financial statements were available to be issued.

Citi Peforming Arts Center, Inc.SM

Consolidating Schedule of Financial Position
for the year ended May 31, 2010

See Independent Auditor's Report

	Citi Performing Arts CenterSM, Inc.	Wang Theatre, Inc.	Tremont Theatre, Inc.	Citi Performing Arts CenterSM Productions, Inc.	Total Not for Profit Operations	Wang Theatre Presents, Inc.	Consolidated Totals
Assets							
Cash and cash equivalents	$ 1,975,353	$ -	$ 65,320	$ 9,196	$ 2,049,869	$ 1,136,983	$ 3,186,852
Cash and cash equivalents held in escrow for advance ticket sales	-	-	2,128	-	2,128	951,862	953,990
Contributions receivable, net	812,927	-	-	-	812,927	-	812,927
Accounts receivable for advance ticket sales	-	-	-	-	-	68,489	68,489
Citibank sponsorship receivable	-	-	-	-	-	-	-
Other accounts receivable	34,619	129,437	4,109	-	168,165	164,891	333,056
Investments, at fair value	12,036,096	-	-	-	12,036,096	-	12,036,096
Investments in productions	-	-	-	351,025	351,025	-	351,025
Property and Equipment, net	705,767	10,511,992	3,517,820	-	14,735,579	127,129	14,862,708
Other Assets	17,698,094	(1,457,059)	(3,986,309)	(6,485,203)	5,769,523	(5,350,291)	419,232
Total Assets	$ 33,262,856	$ 9,184,370	$ (396,932)	$ (6,124,982)	$ 35,925,312	$ (2,900,937)	$ 33,024,375
Liabilities and Net Assets							
Line of credit borrowings	$ 1,000,000	$ -	$ -	$ -	$ 1,000,000	$ -	$ 1,000,000
Accounts payable and accrued expenses	599,950	643,583	123,239	6,499	1,373,271	577,134	1,950,405
Liability under capital leases	139,012	-	-	-	139,012	-	139,012
Unearned income	1,795,515	-	-	-	1,795,515	164,894	1,960,409
Deferred revenue for advance ticket sales	-	-	2,128	-	2,128	1,020,351	1,022,479
Total Liabilities	3,534,477	643,583	125,367	6,499	4,309,926	1,762,379	6,072,305
Net assets:							
Unrestricted:							
Working capital and other reserves (deficit)	16,756,553	(1,971,205)	(4,040,119)	(6,131,481)	4,613,748	(4,790,445)	(176,697)
Net investment in property and equipment	566,755	10,511,992	3,517,820	-	14,596,567	127,129	14,723,696
Total unrestricted net assets	17,323,308	8,540,787	(522,299)	(6,131,481)	19,210,315	(4,663,316)	14,546,999
Temporarily restricted	6,393,893	-	-	-	6,393,893	-	6,393,893
Permanently restricted	6,011,178	-	-	-	6,011,178	-	6,011,178
Total Net Assets	29,728,379	8,540,787	(522,299)	(6,131,481)	31,615,386	(4,663,316)	26,952,070
Total Liabilities and Net Assets	$ 33,262,856	$ 9,184,370	$ (396,932)	$ (6,124,982)	$ 35,925,312	$ (2,900,937)	$ 33,024,375

Citi Peforming Arts Center, Inc.SM

Consolidating Schedule of Financial Position
For the year ended May 31, 2010

See Independent Auditor's Report

	Citi Performing Arts CenterSM, Inc.	Wang Theatre, Inc.	Tremont Theatre, Inc.	Citi Performing Arts CenterSM Productions, Inc.	Total Not for Profit Operations	Wang Theatre Presents, Inc.	Consolidated Totals
Changes in unrestricted net assets:							
Operating Revenues:							
Box office receipts	$ -	$ -	$ 11,580,159	$ -	$ 11,580,159	$ 9,516,165	$ 21,096,324
Theatre operations	628,789	3,702,042	6,013,256	28,764	10,372,851	3,753,517	14,126,368
Not-for-profit discounts	-	-	(377,635)	-	(377,635)	-	(377,635)
Sponsorships, net	1,805,010	(451)	-	-	1,804,559	67,889	1,872,448
Contributions and special events	239,745	-	-	-	239,745	-	239,745
Investment income appropriated	363,340	-	-	-	363,340	-	363,340
Interest income	1,537	-	5,494	-	7,031	3,682	10,713
Net assets released from restrictions	2,511,674	-	175,000	-	2,686,674	-	2,686,674
Total revenues	5,550,095	3,701,591	17,396,274	28,764	26,676,724	13,341,253	40,017,977
Operating expenses:							
Third party presenters' share of box office receipts	-	-	11,580,159	-	11,580,159	5,241,940	16,822,099
Theatre operations	257,216	2,180,212	4,144,765	12,135	6,594,328	8,493,459	15,087,787
General and administrative	1,026,424	106,733	254,554	102,271	1,489,982	2,773,764	4,263,746
Fundraising costs	738,223	-	-	-	738,223	45	738,268
Public programming	9,675	-	-	-	9,675	78	9,753
Education programming	376,335	55	58,187	-	434,577	81	434,658
Total expenses	2,407,873	2,287,000	16,037,665	114,406	20,846,944	16,509,367	37,356,311
Increase (decrease) in unrestricted net assets from operations	3,142,222	1,414,591	1,358,609	(85,642)	5,829,780	(3,168,114)	2,661,666
Nonoperating:							
Change in value of investment in productions, including write offs	-	-	-	(1,661,004)	(1,661,004)	-	(1,661,004)
Interest expense	(16,603)	-	-	-	(16,603)	-	(16,603)
Increase/(decrease) in unrestricted net assets from nonoperating activities	(16,603)	-	-	(1,661,004)	(1,677,607)	-	(1,677,607)
Increase (decrease) in unrestricted net assets	3,125,619	1,414,591	1,358,609	(1,746,646)	4,152,173	(3,168,114)	984,059
Changes in temporarily restricted assets:							
Contributions and pledges	419,397	-	-	-	419,397	-	419,397
Renovation revenues	-	-	175,000	-	175,000	-	175,000
Education revenues	572,064	-	-	-	572,064	-	572,064
Investment income and net realized/unrealized gains (losses) on investments	1,252,764	-	-	-	1,252,764	-	1,252,764
Net assets released from restrictions	(2,511,674)	-	(175,000)	-	(2,686,674)	-	(2,686,674)
Increase (decrease) in temporarily restricted net assets	(267,449)	-	-	-	(267,449)	-	(267,449)
Increase (decrease) in net assets	2,858,170	1,414,591	1,358,609	(1,746,646)	3,884,724	(3,168,114)	716,610
Net assets, beginning of year	26,870,209	7,126,196	(1,880,908)	(4,384,835)	27,730,662	(1,495,202)	26,235,460
Net assets, end of year	$ 29,728,379	$ 8,540,787	$ (522,299)	$ (6,131,481)	$ 31,615,386	$ (4,663,316)	$ 26,952,070