

Marin Theatre Company

Financial Statements

with

Report of Independent Auditors

For the year ended June 30, 2016

Report of Independent Auditors

To the Board of Directors
of Marin Theatre Company

We have audited the accompanying financial statements of Marin Theatre Company (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Theatre Company as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

Marin Theatre Company's financial statements for the year ended June 30, 2015 were audited by other independent auditors who expressed an unmodified audit opinion on those financial statements in their report dated November 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott, LLP
Larkspur, California
January 4, 2017

Marin Theatre Company
Statement of Financial Position
As of June 30, 2016
with comparative totals only as of June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Totals	2015 Totals
Assets					
Current assets					
Cash and cash equivalents	\$ 225,523	\$ -	\$ -	\$ 225,523	\$ 126,196
Receivables					
Grants and contributions, net	93,388	117,000	-	210,388	181,300
Executive housing contribution, due within one year	-	250,000	-	250,000	214,241
Bequests and other	12,654	-	-	12,654	17,004
Prepaid expenses	61,167	-	-	61,167	78,291
Total current assets	392,732	367,000	-	759,732	617,032
Property and equipment, net of accumulated depreciation	2,992,274	-	-	2,992,274	3,125,862
Investments, at fair value	264,175	-	-	264,175	265,893
Grants receivable, due after one year	-	188,389	-	188,389	237,170
Executive housing contribution receivable, due after one year	-	486,701	-	486,701	704,022
Board designated reserves	281,013	-	-	281,013	207,507
Deposits	57,300	-	-	57,300	59,157
Total assets	\$ 3,987,494	\$ 1,042,090	\$ -	\$ 5,029,584	\$ 5,216,643
Liabilities and net assets					
Current liabilities					
Bank line of credit	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ -
Accounts payable and accrued expenses	109,816	-	-	109,816	221,139
Deferred revenue	527,658	-	-	527,658	459,992
Mortgage notes payable, due within one year	40,403	-	-	40,403	38,901
Total current liabilities	827,877	-	-	827,877	720,032
Interfund payable (receivable)	360,002	(360,002)	-	-	-
Mortgage notes payable	704,301	-	-	704,301	878,795
Total liabilities	1,892,180	(360,002)	-	1,532,178	1,598,827
Net assets					
Board designated	281,013	-	-	281,013	207,507
Undesignated	1,814,301	1,402,092	-	3,216,393	3,410,309
Total net assets	2,095,314	1,402,092	-	3,497,406	3,617,816
Total liabilities and net assets	\$ 3,987,494	\$ 1,042,090	\$ -	\$ 5,029,584	\$ 5,216,643

See accompanying notes.

Marin Theatre Company
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2016
with comparative totals only for the year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Totals	2015 Totals
Revenue from operations					
Subscription sales	\$ 434,434	\$ -	\$ -	\$ 434,434	\$ 421,762
Single ticket sales	585,902	-	-	585,902	471,946
Tuition income	210,308	-	-	210,308	216,107
Ticket and order fees	86,162	-	-	86,162	119,742
Program ad sales	14,832	-	-	14,832	21,310
Rental income	24,360	-	-	24,360	46,956
Concession income, net	28,441	-	-	28,441	24,288
Interest and dividend income	4,973	-	-	4,973	6,205
Other income	37,943	-	-	37,943	55,780
Realized and unrealized gains (losses) relating to securities	(5,578)	-	-	(5,578)	(8,740)
Total revenue from operations	1,421,777	-	-	1,421,777	1,375,356
Development revenue					
Contributions from					
Board members	750,660	-	-	750,660	468,040
Individuals	585,129	9,857	-	594,986	588,513
Foundations	122,250	368,350	-	490,600	302,511
Corporations	22,738	7,000	-	29,738	16,290
Government	10,000	20,300	-	30,300	18,520
Donated services and materials	61	-	-	61	53,988
Special events, net of directs costs of \$89,074 (2015 - \$80,745)	90,647	-	-	90,647	45,467
Net assets released from restrictions	1,050,731	(445,614)	(605,117)	-	-
Total development revenue	2,632,216	(40,107)	(605,117)	1,986,992	1,493,329
Total revenue	4,053,993	(40,107)	(605,117)	3,408,769	2,868,685
Expenses					
Program services					
Theatre	2,319,251	-	-	2,319,251	2,161,709
Education	451,114	-	-	451,114	414,809
Total program services	2,770,365	-	-	2,770,365	2,576,518
General and administrative	384,662	-	-	384,662	476,479
Development	374,152	-	-	374,152	319,156
Total expenses	3,529,179	-	-	3,529,179	3,372,153
Change in net assets	524,814	(40,107)	(605,117)	(120,410)	(503,468)
Net assets, beginning of year	1,570,500	1,442,199	605,117	3,617,816	4,121,284
Net assets, end of year	\$ 2,095,314	\$ 1,402,092	\$ -	\$ 3,497,406	\$ 3,617,816

See accompanying notes.

Marin Theatre Company

Statement of Functional Expenses

For the year ended June 30, 2016

with comparative totals only for the year ended June 30, 2015

	Program Services			General and administrative	Development	2016 Totals	2015 Totals
	Theatre	Education	Totals				
Artistic salaries and fees	\$ 682,810	\$ 274,185	\$ 956,995	\$ -	\$ -	\$ 956,995	\$ 806,667
Administrative salaries and fees	122,612	27,435	150,047	217,257	257,249	624,553	730,004
Production salaries and fees	550,324	36,012	586,336	-	-	586,336	488,481
Marketing salaries and fees	63,941	2,262	66,203	-	-	66,203	168,997
Production costs	266,356	39,585	305,941	-	-	305,941	286,086
Marketing and advertising	247,255	21,496	268,751	-	31,586	300,337	253,098
Facility maintenance and utilities	106,214	10,920	117,134	16,141	9,376	142,651	143,481
Computer software and technology	36,476	7,575	44,051	5,512	17,734	67,297	79,072
Supplies	22,809	11,052	33,861	13,097	1,354	48,312	56,585
Bank charges and fees	51,585	3,138	54,723	12,424	5,891	73,038	48,104
Insurance	33,635	2,444	36,079	9,516	4,340	49,935	34,508
Professional fees	2,460	235	2,695	28,799	11,900	43,394	31,968
Other	39,262	6,760	46,022	24,276	20,027	90,325	57,117
Interest	-	-	-	40,274	-	40,274	42,347
Depreciation	93,512	8,015	101,527	17,366	14,695	133,588	145,638
Total expenses	\$ 2,319,251	\$ 451,114	\$ 2,770,365	\$ 384,662	\$ 374,152	\$ 3,529,179	\$ 3,372,153

See accompanying notes.

Marin Theatre Company
Statement of Cash Flows
For the year ended June 30, 2016
with comparative totals only for the year ended June 30, 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (120,410)	\$ (503,468)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	133,588	145,638
Increase (decrease) in investments	1,718	(1,523)
Donated services and materials	(61)	(53,988)
Donated services and materials used in operations	61	24,300
Changes in certain assets and liabilities		
Receivables	(60,497)	77,347
Prepaid expenses	17,124	37,340
Grants and contributions receivable due after one year	266,102	16,095
Accounts payable and accrued expenses	(111,323)	14,502
Deferred revenue	67,666	(55,250)
Cash provided (used) by operating activities	193,968	(299,007)
Cash flows from investing activities		
Purchases of property and equipment	-	(18,797)
Board designated reserve activity, net	(73,506)	394,561
Increase (decrease) in deposits	1,857	(23,196)
Cash provided (used) by investing activities	(71,649)	352,568
Cash flows from financing activities		
Bank line of credit advances	300,000	300,000
Bank line of credit repayments	(150,000)	(300,000)
Repayment of mortgage notes	(172,992)	(206,352)
Cash used by financing activities	(22,992)	(206,352)
Change in cash and cash equivalents	99,327	(152,791)
Cash and cash equivalents, beginning of year	126,196	278,987
Cash and cash equivalents, end of year	\$ 225,523	\$ 126,196
Cash paid during year for interest	\$ 40,274	\$ 42,347

See accompanying notes.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 1 - Organization and nature of activities

Marin Theatre Company (the Company) is a nonprofit corporation that was organized in 1968 as the Mill Valley Center for the Performing Arts. In 1984 the organization was reincorporated as a professional theater company, the name was changed to Marin Theatre Company and a contract agreement was entered into with Actors' Equity Association (AEA). In addition, the building at 397 Miller Avenue in Mill Valley was acquired and construction of the Sali Lieberman Studio Theatre commenced. By the end of 1987 the construction of both the main stage and the studio theater was completed.

The Company is a professional, regional theater that produces a six-show season of provocative plays by passionate playwrights from the 20th century and today. It is committed to the development and production of new plays by American playwrights, with a comprehensive New Play Program that includes two nationally recognized annual playwriting awards, numerous new play readings and workshops by the nation's best emerging playwrights, and a leadership position in the National New Play Network. It also has numerous educational programs that serve more than 6,000 students each year.

The Company's operating principles mandate that the performances remain accessible to the community at large. Therefore, ticket sales cover less than one third of the Company's expenses. The Company relies on support from foundations, businesses and individuals for the balance required to sustain its operations.

Note 2 – Summary of significant accounting policies

Basis of accounting

The Company prepares its financial statements using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States.

Basis of presentation

The Company presents 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. The three classes are differentiated by donor restrictions.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 2 - Summary of significant accounting policies (continued)

Basis of presentation (continued)

Unrestricted net assets consist of resources, which have not been specifically restricted by a donor. Unrestricted net assets may be designated for a specific purpose by the Company or may be limited by contractual agreements with outside parties.

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

Permanently restricted net assets represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Company. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. Permanently restricted net assets at June 30, 2015 were completely released by agreement with the endowment's donor in January 2016.

Revenue and expense recognition

Season subscriptions, single ticket payments received in advance of performances, and tuition revenue received in advance of the school sessions are deferred and recognized as revenue once the applicable performance is presented or the school session concludes. Expenditures relating to annual subscription campaigns and future productions are recorded as prepaid expenses and charged to expense in the applicable fiscal year. Advertising costs are expensed as incurred unless they are specifically related to productions in the next fiscal year.

Support recognition

Unconditional promises to give are recorded as support and as receivable when the promises are made. Gifts, grants, and unconditional promises to give cash or other assets, the uses of which are limited by the donor, are reported as temporarily restricted support. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 2 - Summary of significant accounting policies (continued)

Support recognition (continued)

assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

Donated materials and services

Contributions of securities, materials and facilities are reflected in the accompanying financial statements at their fair value at the date of receipt. Contributions for services are recognized only if such services create or enhance a nonfinancial asset or require specialized skills and are provided by individuals possessing those skills and would typically need to be paid for if not provided by donation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and on deposit with a commercial bank, available on demand.

Investments

Investments include marketable debt and equity securities, which are carried at fair value. Interest, dividends, realized and unrealized gains and losses are reflected as unrestricted income in the statement of activity.

Allowance for doubtful accounts

The Company uses the allowance method to account for uncollectible accounts receivable. Under this method, the Company reviews all receivables for any problems with collectability. If the Company feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. As of June 30, 2016, management concluded that any allowance for doubtful accounts would not be material to the financial position of the Company.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 2 - Summary of significant accounting policies (continued)

Property and equipment

Property and equipment acquisitions costing more than \$1,000 and with useful lives of five years or greater are capitalized, stated at cost or fair value if donated, and depreciated using the straight line method over the estimated economic lives of the assets (theater and executive residences, 40 years, building improvements and equipment, 5 to 20 years.)

Tax-exempt status

The Company is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. In addition the Company has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded.

The Company generates unrelated business income from advertising and rent; however, allocable expenses exceed income and therefore no income taxes are payable. The Company's informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board for three years and four years, respectively, after they are filed.

Fair value measurements

The Company adopted a framework for measuring fair value. Fair value is defined as the price that would be received to sell the asset or would be paid to transfer the liability in an orderly transaction between market participants. The Company's financial assets shown at fair value include the endowment securities which are valued using a market approach based on quoted market prices (Level 1 – quoted prices in active markets for identical investments.) The application of fair value to non-financial assets has been determined to be de minimus.

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Allocation of functional expenses

Functional expenses of the Company include program and supporting expenses. Supporting expenses include general and administrative and fundraising. The Company records expenses that directly benefit an activity to that specific activity. The Company allocates expenses that do not directly benefit an activity between program and supporting activities based on estimates of the relative benefits to each.

The Company bases its estimates on either time spent by personnel on various activities or space used by various activities, whichever management deems more relevant to the particular expense. The management of the Company reviews and adjusts the estimates at least annually.

Comparative totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Subsequent events

Subsequent events have been evaluated through January 4, 2017, the date in which the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that required recognition or disclosure herein.

Note 3 - Grants and contributions receivable

During the year ended June 30, 2015, the Company was awarded a multi-year grant, which has annual payments expected through June 30, 2021. For financial statement purposes, the grant receivable has been discounted at what was considered a risk-free rate of return (2.5%) to reflect its present value.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 3 - Grants and contributions receivable (continued)

At June 30, 2016, the grant receivable expected to be collected in successive years is as follows:

2017	\$ 50,000
2018	50,000
2019	50,000
2020	50,000
2021	50,000
Less discount	(11,611)
Less amount due with one year	<u>(50,000)</u>
Amount due after one year, net	<u><u>\$ 188,389</u></u>

An additional grant of \$180,000 payable over three years and restricted to the acquisition of rehearsal space has not been recognized as it is contingent, in part, on its being matched by other contributions.

Note 4 - Executive housing contribution receivable

In September 2012 and February 2013 the Company acquired two residential properties that are intended to provide housing for top-level executive and artistic staff. The Company executed two mortgages to finance the acquisitions. A donor has pledged \$250,000 in total annual contributions for the years ending June 30, 2016 and 2017, and \$150,000 thereafter until the mortgages are paid in full. For financial statement purposes, this contribution has been discounted to reflect its present value using a rate of 3.775%, consistent with the approximate interest rate incurred on the related debt.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 4 - Executive housing contribution receivable (continued)

At June 30, 2016, the contribution receivable expected to be collected in successive years is as follows:

2017	\$ 250,000
2018	150,000
2019	150,000
2020	150,000
2021	77,821
Less discount	(41,120)
Less amount due with one year	<u>(250,000)</u>
 Amount due after one year, net	 <u><u>\$ 486,701</u></u>

The Company received \$24,360 in rental income during the year ended June 30, 2016, from employees who have lived on the two properties. The Company has executed month-to-month leases for each of the properties. The rents are used to defray maintenance costs.

Note 5 - Investments

Investments at June 30, 2016 are held by a financial institution and consist of the following:

	<u>Cost</u>	<u>Fair value</u>
Money market fund	\$ 26,498	\$ 26,498
Equity funds	235,554	237,677
	<u>\$ 262,052</u>	<u>\$ 264,175</u>

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 6 - Property and equipment

At June 30, property and equipment (at cost) consists of the following:

	<u>2016</u>	<u>2015</u>
Related to theatre operations		
Land	\$ 870,568	\$ 870,568
Building and improvements	2,417,245	2,417,245
Production equipment and theatre furnishings	271,711	271,711
Office equipment	103,042	131,516
Vehicle	<u>29,688</u>	<u>29,688</u>
Total theatre property	3,692,254	3,720,728
Executive housing (two residences)		
Land	1,000,000	1,000,000
Building and improvements	<u>564,582</u>	<u>564,582</u>
Total housing property	<u>1,564,582</u>	<u>1,564,582</u>
Total property and equipment	5,256,836	5,285,310
Less accumulated depreciation	<u>(2,264,562)</u>	<u>(2,159,448)</u>
Net property and equipment	<u>\$ 2,992,274</u>	<u>\$ 3,125,862</u>

Note 7 - Board designated reserves

The Company's Board established an Artistic and Operating Reserve Fund during the year ended June 30, 2011 with initial donor contributions of \$500,000. The objective of the Artistic and Operating Reserve Fund is to provide financial stability and to allow the Company to take artistic risks. The Company hopes to grow the fund to 25% of annual operating expenses. Withdrawals must be approved by the Finance Committee of the Board of Directors. During the year ended June 30, 2016,

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 7 - Board designated reserves (continued)

approximately \$152,226 of the Artistic and Operating Reserve Fund was approved and used to cover operating needs. The Reserve Fund was repaid and an additional amount set aside to bring the balance to \$281,013 as of June 30, 2016.

During the year ended June 30, 2011 the Poutiatine Fund for Leadership was established from donor contributions totaling \$50,275. This fund is intended to provide the Board the ability to acquire, retain and reward employees in leadership positions. This fund balance was expended during the year ended June 30, 2016.

Board-designated reserves at June 30, 2016 are invested in a money market account with a commercial bank.

Note 8 - Deposits

Deposits include \$44,305 held by the Actors' Equity Association on behalf of the Company. The deposit insures that the Company will meet current wage and benefit obligations to AEA members.

Note 9 – Bank line of credit

The Company has available a \$300,000 line of credit from a commercial bank. Of the available amount, \$150,000 was borrowed as of June 30, 2016. Amounts borrowed bear interest at the bank's prime rate plus 1.00% (3.50% prime rate as of June 30, 2016) with a floor of 4.25% and are collateralized by all real and personal property of the Company. The line of credit is subject to renewal by the bank in March 2017.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 10 - Mortgage notes payable

During the year ended June 30, 2013 the Company acquired two residential properties that provide housing for top-level executive and artistic staff. To finance the acquisitions, the Company executed two mortgages, totaling \$1,296,500. The notes currently bear interest at 3.70% and 3.85% respectively, and require cumulative monthly payments of \$6,065, including principal and interest.

The interest rate on both loans will adjust to a monthly variable rate during the year ended June 30, 2020. During the variable interest period, there is a floor of 2.95% and ceiling of 10.95%. The notes are secured by the residential properties, the Company's theater, and other assets of the Company.

Annual maturities related to the mortgage notes based on the above terms are as follows for the years ended June 30:

2017	\$ 40,403
2018	41,963
2019	45,384
2020	45,267
2021	45,150
Thereafter	526,537
	744,704
Less amount due within one year	(40,403)
	\$ 704,301

Should the Company prepay more than 20% of the original principal balance in any one year, a prepayment fee will be charged.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets consist of the following for the year ended June 30, 2016. Amounts released were the result of meeting donor imposed program restrictions.

	June 30, <u>2015</u>	<u>Received</u>	<u>Released</u>	June 30, <u>2016</u>
Executive housing	\$ 928,331	\$ -	\$ (206,259)	\$ 722,072
Play development	226,650	4,300	31,550	262,500
Education and outreach	87,550	19,707	(107,257)	-
General operations	111,008	-	(56,008)	55,000
Commissions and program	22,140	-	(22,140)	-
Residencies	66,520	343,000	(47,000)	362,520
Mainstage programs	-	38,500	(38,500)	-
	<u>\$ 1,442,199</u>	<u>\$ 405,507</u>	<u>\$ (445,614)</u>	<u>\$ 1,402,092</u>

Note 12 - Retirement plan

The Company sponsors a qualified 403(b) plan for eligible employees. Employees may contribute any percentage of their annual compensation, but no more than the annual maximum limit as defined in the Internal Revenue Code. The Company has the option to make a discretionary matching contribution as determined by the board. The Company chose not to make a matching contribution to the plan for the year ended June 30, 2016.

Note 13 - Lease commitment

Effective January 1, 2011, the Company entered into a 5-year lease for industrial space to house their scene shop. The lease ended in June 2016. The space continues to be rented on an annual basis. Rent expenses aggregated \$45,815 for the year ended June 30, 2016.

Marin Theatre Company
Notes to Financial Statements
June 30, 2016

Note 14 - Commitments and uncertainties

A Board member has provided services for several of the Company's annual gala events. Based on the amounts billed, the Board member is due approximately \$75,000 for the services provided and the Company has recorded a liability for this amount. Payment for the services or, in lieu of payment, an in-kind contribution to the Company is at the discretion of the Board member.

The Company is a member of the League of Resident Theatres (LORT). As a member of LORT, the Company is required to comply with the agreements between LORT and Actors' Equity Association (AEA) and Stage Directors and Choreographers Society (SDCS). The agreements with AEA and SDCS require contributions to health and retirement plans for all employees covered by the contracts. The agreement with AEA requires increases in compensation based on the Company's tier, which is based on the weekly actual box office receipts average over the three most recently completed calendar years. The agreement with AEA expires in February 2017. The agreement with SDCS requires a minimum compensation based on the length of a performance. The agreement with SDCS extends through April 2017.

The Company also complies with a contract between Theatre for Young Audiences (TYA) and AEA for its educational programs. The contract stipulates similar terms as that between LORT and AEA. The TYA and AEA agreement expired in June 2015. TYA and AEA are currently working on extending the contract with similar terms.

The Company entered into an agreement with United Scenic Artists that expires in June 2017. The agreement requires a minimum percentage of design positions to be filled by members of United Scenic Artists and stipulates contributions for pensions and welfare benefits.

Financial instruments that potentially subject the Company to credit risk include cash on deposit with financial institutions that at times exceed the insurance limit of the United States Federal Deposit Insurance Corporation.

The Company executed service agreements with its artistic director that extends through June 2018 and with its new managing director that extends through December 2019.