

Marin Theatre Company

Financial Statements

with

Report of Independent Auditors

For the year ended June 30, 2020



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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, 2020, 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, 2020, 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

We have previously audited Marin Theatre Company's financial statements for the year ended June 30, 2019, and in our report dated January 10, 2020, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

WIMB², LLP
Larkspur, California
February 24, 2021

Marin Theatre Company
Statement of Financial Position
As of June 30, 2020
with comparative totals only as of June 30, 2019

| | <u>2020 Totals</u> | <u>2019 Totals</u> |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 569,892 | \$ 194,809 |
| Receivables | | |
| Grants and contributions receivable | 70,000 | 105,000 |
| Executive housing contribution receivable | - | 150,000 |
| Short-term investments | 37,374 | 30,788 |
| Prepaid expenses | <u>11,500</u> | <u>70,605</u> |
| Total current assets | 688,766 | 551,202 |
| Property and equipment, net of accumulated depreciation | 2,649,524 | 2,694,192 |
| Receivables, long term | | |
| Grants and contributions receivable | 107,299 | 48,750 |
| Executive housing contribution receivable | - | 80,250 |
| Special purpose reserves | 535,634 | 1,024,712 |
| Deposits | <u>37,805</u> | <u>51,800</u> |
| Total assets | <u>\$ 4,019,028</u> | <u>\$ 4,450,906</u> |
| Liabilities and net assets | | |
| Current liabilities | | |
| Bank line of credit | \$ 336,716 | \$ - |
| Accounts payable and accrued expenses | 188,917 | 122,181 |
| Deferred revenue | 34,500 | 451,252 |
| Note payable - Paycheck Protection Program | 295,800 | - |
| Mortgage notes payable, due within one year | <u>-</u> | <u>21,800</u> |
| Total current liabilities | 855,933 | 595,233 |
| Note Payable - Economic Injury Disaster Loan | 150,000 | - |
| Mortgage notes payable | - | 142,225 |
| Deposits | <u>2,000</u> | <u>-</u> |
| Total liabilities | 1,007,933 | 737,458 |
| Net assets | | |
| Without donor restrictions | 2,632,643 | 718,180 |
| With donor restrictions | <u>378,452</u> | <u>2,995,268</u> |
| Total net assets | <u>3,011,095</u> | <u>3,713,448</u> |
| Total liabilities and net assets | <u>\$ 4,019,028</u> | <u>\$ 4,450,906</u> |

See accompanying notes.

Marin Theatre Company
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2020
with comparative totals only for the year ended June 30, 2019

| | Without donor restrictions | With donor restrictions | 2020 Totals | 2019 Totals |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| Revenue | | | | |
| Subscription sales | \$ 515,804 | \$ - | \$ 515,804 | \$ 461,911 |
| Single ticket sales | 292,177 | - | 292,177 | 607,978 |
| Tuition income | 139,655 | - | 139,655 | 209,032 |
| Ticket and order fees | 28,153 | - | 28,153 | 150,954 |
| Rental income | 93,519 | - | 93,519 | 73,778 |
| Concession income, net | 10,650 | - | 10,650 | 31,643 |
| Net investment return | (19,006) | - | (19,006) | 9,205 |
| Other income | 10,627 | - | 10,627 | 22,541 |
| Total revenue | 1,071,579 | - | 1,071,579 | 1,567,042 |
| Support | | | | |
| Contributions from | | | | |
| Board members | 527,410 | - | 527,410 | 596,938 |
| Individuals | 545,758 | - | 545,758 | 530,642 |
| Foundations | 160,000 | 277,000 | 437,000 | 583,240 |
| Corporations | 23,014 | - | 23,014 | 20,467 |
| Government | 10,000 | - | 10,000 | 23,962 |
| Donated services and materials | 54,477 | - | 54,477 | 5,654 |
| Special events, net of donor direct benefit costs of \$0 | 231,863 | - | 231,863 | 372,424 |
| Net assets released from restrictions | 616,728 | (616,728) | - | - |
| Total support | 2,169,250 | (339,728) | 1,829,522 | 2,133,327 |
| Total revenue and support | 3,240,829 | (339,728) | 2,901,101 | 3,700,369 |
| Expenses | | | | |
| Program services | | | | |
| Theatre | 2,410,846 | - | 2,410,846 | 2,705,579 |
| Education | 209,800 | - | 209,800 | 309,731 |
| Total program services | 2,620,646 | - | 2,620,646 | 3,015,310 |
| General and administrative | 604,672 | - | 604,672 | 398,763 |
| Development | 378,136 | - | 378,136 | 413,645 |
| Total expenses | 3,603,454 | - | 3,603,454 | 3,827,718 |
| Change in net assets | (362,625) | (339,728) | (702,353) | (127,349) |
| Net assets, beginning of year | 2,995,268 | 718,180 | 3,713,448 | 3,840,797 |
| Net assets, end of year | <u>\$ 2,632,643</u> | <u>\$ 378,452</u> | <u>\$ 3,011,095</u> | <u>\$ 3,713,448</u> |

See accompanying notes.

Marin Theatre Company
Statement of Functional Expenses
For the year ended June 30, 2020
with comparative totals only for the year ended June 30, 2019

| | Program Services | | | | 2020 Totals | 2019 Totals |
|----------------------------------|---------------------|-------------------|---------------------|----------------------------|-------------------|---------------------|
| | Theatre | Education | Totals | General and administrative | | |
| Salaries | \$ 1,243,144 | \$ 134,681 | \$ 1,377,825 | \$ 107,421 | \$ 194,251 | \$ 1,816,289 |
| Payroll taxes | 106,994 | 10,913 | 117,907 | 8,021 | 13,409 | 167,085 |
| Employee benefits | 202,727 | 13,422 | 216,149 | 18,454 | 12,297 | 262,947 |
| Production costs | 309,285 | 28,972 | 338,257 | 36,951 | 22,080 | 419,065 |
| Marketing and advertising | 226,102 | 4,215 | 230,317 | 13,150 | 74,621 | 288,447 |
| Bad debt | - | - | - | 182,989 | - | 29,962 |
| Occupancy | 80,271 | 4,100 | 84,371 | 58,972 | 7,151 | 149,880 |
| Computer software and technology | 15,598 | 1,539 | 17,137 | 34,361 | 3,174 | 64,951 |
| Supplies | 26,826 | 1,621 | 28,447 | 4,851 | 3,336 | 30,682 |
| Bank charges and fees | 16,985 | - | 16,985 | 7,446 | - | 72,538 |
| Insurance | 15,088 | 3,353 | 18,441 | 17,962 | 1,676 | 27,547 |
| Professional fees | 24,000 | 4,555 | 28,555 | 61,020 | 36,038 | 219,352 |
| Other | 41,315 | - | 41,315 | 5,251 | 3,650 | 85,357 |
| Royalties | 53,158 | - | 53,158 | - | - | 73,130 |
| Interest | 195 | - | 195 | 35,600 | - | 27,798 |
| Depreciation | 49,158 | 2,429 | 51,587 | 12,223 | 6,453 | 92,688 |
| Total expenses | \$ 2,410,846 | \$ 209,800 | \$ 2,620,646 | \$ 604,672 | \$ 378,136 | \$ 3,603,454 |
| | | | | | | \$ 3,827,718 |

See accompanying notes.

Marin Theatre Company
Statement of Cash Flows
For the years ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (702,353) | \$ (127,349) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 70,263 | 92,688 |
| Changes in certain assets and liabilities | | |
| Receivables | 206,701 | 310,540 |
| Prepaid expenses | 59,105 | 40,789 |
| Accounts payable and accrued expenses | 66,736 | 17,247 |
| Deferred revenue | <u>(416,752)</u> | <u>(26,299)</u> |
| Cash provided (used) by operating activities | (716,300) | 307,616 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (25,595) | (4,776) |
| (Increase) in investments | (6,586) | 27,048 |
| Special purpose reserve activity, net | 489,078 | (195,192) |
| Decrease in deposits | <u>15,995</u> | <u>6,510</u> |
| Cash provided (used) by investing activities | 472,892 | (166,410) |
| Cash flows from financing activities | | |
| Bank line of credit advances | 486,716 | 210,000 |
| Bank line of credit repayments | (150,000) | (350,000) |
| Repayment of mortgage notes | (164,025) | (140,127) |
| Proceeds from note payable - Paycheck Protection Program | 295,800 | - |
| Proceeds from note payable - Economic Injury Disaster Loan | <u>150,000</u> | <u>-</u> |
| Cash provided (used) by financing activities | <u>618,491</u> | <u>(280,127)</u> |
| Change in cash and cash equivalents | 375,083 | (138,921) |
| Cash and cash equivalents, beginning of year | <u>194,809</u> | <u>333,730</u> |
| Cash and cash equivalents, end of year | <u>\$ 569,892</u> | <u>\$ 194,809</u> |
| Cash paid during year for interest | <u>\$ 35,795</u> | <u>\$ 27,798</u> |

See accompanying notes.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

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 Company 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). 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 of America (U.S. GAAP). The Company records revenues when earned and expenses when incurring the related obligations.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 2 – Summary of significant accounting policies (continued)

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Company had no net assets restricted by donors to be held in perpetuity at June 30, 2020.

Revenue and expense recognition

The Company earns revenue from its various programs. 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.

For rental income, the Company recognizes revenue when the event takes place.

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 revenues with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restrictions are accomplished, the donor restricted net assets are reclassified to net assets without donor restrictions 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 donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized when received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 2 – Summary of significant accounting policies (continued)

Special events

Special events revenue, net of direct donor benefit costs, is recognized when the fundraising event takes place. The Company's 53rd Season Virtual Gala was held April 3 through April 16, 2020.

Cash and cash equivalents

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

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. During the year ended June 30, 2020, two large accounts became uncollectible. The Company decided not to pursue the estates and the accounts were written off to bad debt expense. As of June 30, 2020, management concluded that any allowance for doubtful accounts would not be material to the financial position of the Company.

Investments

Investments consist principally of cash and cash equivalents, money market funds and exchange traded funds. One registered investment company (custodian) and one commercial bank hold all investments. The Company reports the fair value of investments in money market funds and exchange traded funds with readily determinable fair values. The Company reports all other investments at cost.

Net investment return consists of interest, dividends, realized gains and losses and unrealized appreciation and depreciation. The Company recognizes net investment return as unrestricted income in the statement of activity.

Property and equipment

Property and equipment acquisitions costing more than \$2,500 and with useful lives of one year 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.

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, donors are entitled to the maximum charitable contribution allowed by law. Consequently, no provision for federal or state income taxes has been recorded.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 2 – Summary of significant accounting policies (continued)

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 financial assets reported at fair value include investments and special purpose reserves which are valued using a market approach based on quoted market prices (Level 1 – quoted prices in active markets for identical investments.)

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. 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.

Allocation of functional expenses

Functional expenses of the Company include program and supporting expenses. Supporting expenses include management, 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.

Credit and market risk

Cash and cash equivalents held by the commercial banks exceeded federal deposit insurance limits at various times during the years ended June 30, 2020.

Investments are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the value of an investment due to changes in conditions.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 2 – Summary of significant accounting policies (continued)

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassifications

The Company reclassified prior year amounts to conform to the current year presentation.

Note 3 – Grants and contributions receivable

Long-term grants and contributions receivable are shown at present value using a discount rate of 2.5%. Grants and contributions receivable consist of the following at June 30, 2020:

| | |
|-------------------------------------|-------------------|
| Gross receivable | \$ 180,000 |
| Less: Discount to Net Present Value | <u>(2,701)</u> |
| Net receivable | <u>\$ 177,299</u> |
| Amounts due in: | |
| Less than one year | \$ 70,000 |
| One to five years | <u>107,299</u> |
| | <u>\$ 177,299</u> |

Note 4 – Investments and special purpose reserves

The Company holds investments for the following purposes:

- Short-term investments are investments of excess operating cash.
- Long-term investments are special purpose reserves that can be either donor restricted or board designated, for specific initiatives.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 4 – Investments and special purpose reserves (continued)

Investments by investment type held at June 30, 2020 consist of the following:

| | Short-term investments | Special purpose reserves | Total | Level 1 |
|---------------------------|---------------------------|--------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ - | \$ 301,972 | \$ 301,972 | \$ - |
| Money market funds | 10,785 | 233,662 | 244,447 | 114,028 |
| Exchange traded funds | 26,589 | - | 26,589 | 26,589 |
| | <u>\$ 37,374</u> | <u>\$ 535,634</u> | <u>\$ 573,008</u> | <u>\$ 140,617</u> |

Net investment return for the year ended June 30, 2020, consist of the following:

| | |
|------------------------------|--------------------|
| Interest and dividend income | \$ 2,171 |
| Realized and unrealized loss | (21,177) |
| | <u>\$ (19,006)</u> |

Special purpose reserves for the year ended June 30, 2020, consist of the following:

| | |
|-------------------------|-------------------|
| Mellon Foundation grant | \$ 198,729 |
| Facilities reserve | 336,905 |
| | <u>\$ 535,634</u> |

Note 5 – Deposits

The Company is a member of the Actors' Equity Association (AEA), an association of nonprofit regional theaters. AEA represents its members in both a collective bargaining and an administrative capacity. Since the Company often employs production staff that are AEA members, they are required by AEA to maintain a deposit account that holds an annually stipulated bond.

These funds are held as insurance for guaranteed payment to production staff as provided by contract. Management of the Company believes they are in compliance with the current bond requirement of AEA. The balance held on deposit by AEA for the year ended June 30, 2020 is \$37,805.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 6 – Property and equipment

At June 30, 2020, property and equipment consist of the following:

| | |
|--|----------------------------|
| Related to Theatre operations | |
| Land | \$ 870,568 |
| Building and improvements | 2,417,245 |
| Production equipment and theatre furnishings | 276,986 |
| Office equipment | 111,685 |
| Vehicle | <u>19,095</u> |
| Total Theatre property | 3,695,579 |
| Executive housing (two residences) | |
| Land | 1,000,000 |
| Building and improvements | <u>573,582</u> |
| Total housing property | <u>1,573,582</u> |
| Total property and equipment | 5,269,161 |
| Accumulated depreciation | <u>(2,619,637)</u> |
| Property and equipment, net | <u><u>\$ 2,649,524</u></u> |

Note 7 – Bank line of credit

The Company has available a \$400,000 line of credit from a commercial bank. Of the available amount, \$336,716 was borrowed as of June 30, 2020. Amounts borrowed bear interest at the bank's prime rate plus 1.00%, with a floor of 4.25%, and are secured by a Deed of Trust against the Company's real property at 397 Miller Avenue. The line of credit was renewed by the bank in August 2020. The bank will have the ability to renew the line of credit again in August 2021.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 8 – Note payable – Paycheck Protection Program forgivable loan

On May 31, 2020, the Company received loan proceeds of \$295,800 from a promissory note issued by First Republic Bank under the Paycheck Protection Program (PPP) which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Company expects to meet the PPP's eligibility criteria, and expects to record the proceeds as contribution revenue at the time of forgiveness. Thus, at June 30, 2020 the entire loan balance is recorded on the Company's financial statements as a Note Payable, all short term.

Note 9 – Note payable – Economic Injury Disaster Loan

During the year ended June 30, 2020, the Company entered into a \$150,000 note payable agreement with the Small Business Administration (SBA). The proceeds of the loan are solely for working capital to alleviate economic injury caused by Covid 19 virus. The note bears interest at 2.75% and requires monthly payment of \$641 including principal and interest. Loan matures on May 27, 2050. The loan is secured by the Company's assets.

Annual maturities based on the above terms are as follows for the years ended June 30, 2020:

| | |
|---------------------------------|--------------------------|
| 2021 | \$ - |
| 2022 | 3,522 |
| 2023 | 3,620 |
| 2024 | 3,721 |
| 2025 | 3,824 |
| Thereafter | <u>135,313</u> |
| | 150,000 |
| Less amount due within one year | <u>-</u> |
| | <u><u>\$ 150,000</u></u> |

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 10 – Net assets without donor restrictions

During the year ended June 30, 2020, net assets without donor restrictions reconcile as follows:

| | |
|--------------------------------------|---------------------|
| Undesignated | \$ 2,674,290 |
| Board designated: Facilities reserve | <u>336,805</u> |
| | <u>\$ 3,011,095</u> |

Note 11 – Net assets with donor restrictions

During the year ended June 30, 2020, net assets with donor restrictions reconcile as follows:

| | 2019 | Additions | Releases | 2020 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Program Restrictions</u> | | | | |
| Residencies | \$ 294,300 | \$ 15,000 | \$ 110,848 | \$ 198,452 |
| Executive housing | 268,362 | - | 268,362 | - |
| New Play Development | 100,000 | 30,000 | 115,000 | 15,000 |
| Scholarships | 518 | - | 518 | - |
| Production expenses | - | 15,000 | 15,000 | - |
| Education | - | 52,000 | 52,000 | - |
| | | | | |
| Total program restricted net assets | 663,180 | 112,000 | 561,728 | 213,452 |
| | | | | |
| <u>Time Restrictions</u> | 55,000 | 165,000 | 55,000 | 165,000 |
| | | | | |
| Total | <u>\$ 718,180</u> | <u>\$ 277,000</u> | <u>\$ 616,728</u> | <u>\$ 378,452</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, 2020.

Marin Theatre Company
Notes to Financial Statements
June 30, 2020

Note 13 – Rental income and expense

The Company rents its theatre on a short-term or daily use basis for special events.

In addition, the Company leases its two houses to Company executives on a month-to-month basis. The rents are used to defray maintenance costs.

Effective July 1, 2016 the Company entered into a three-year lease agreement with an independent third party to lease a house to act as an executive housing location. Rent was collected from the executive and paid directly to the third party by the Company. The lease was terminated effective March 2020.

Rental income collected from all sources listed above totaled \$93,519 for the year ended June 30, 2020.

Effective January 1, 2011, the Company entered into a five-year lease for industrial space to house their scene shop. The lease ended in June 2016. The space continued to be rented on a month-to-month basis until June 1, 2020 when the Company vacated the space. Rent expenses aggregated \$44,800 for the year ended June 30, 2020.

Note 14 – Commitments and uncertainties

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 April 2022. The agreement with SDCS requires a minimum compensation based on the length of a performance. The agreement with SDCS extends through April 2022.

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

The Company executed service agreement with its artistic director that extends through June 2021.

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Note 15 – Liquidity and availability of financial assets

The following reflects the Company's financial assets as of the statement of financial position date reduced by amounts not available for general use because of contractual or donor-imposed restriction within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include board designated amounts that could be drawn upon if the Board of directors approves that action.

| | |
|---|--------------------------|
| Financial assets, at year end: | |
| Cash and cash equivalents | \$ 569,892 |
| Receivables | 177,299 |
| Investments | <u>573,008</u> |
| | 1,320,199 |
| Less those unavailable for general expenditures within one year, due to: | |
| Donor restricted for artist-in-residence | 198,729 |
| Board designated for facilities reserve | 336,905 |
| Receivable due in more than one year | <u>107,299</u> |
| | <u>642,933</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 677,266</u></u> |

As part of its liquidity management, the Company invests cash in excess of daily requirements in short-term investments.

Note 16 – Accounting pronouncements - adopted

Effective July 1, 2019, the Company adopted the following pronouncements:

FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The new pronouncement establishes a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Company has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

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Note 16 – Accounting pronouncements – adopted (continued)

FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made. The new pronouncement assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Company has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with implementation of ASU 2018-08.

FASB ASU 2016-01, Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities. This amendment requires, among other things, equity investments to be measured at fair value with changes in fair value recognized in net income. The amendment has been applied retrospectively to all periods presented. The implementation of ASU 2016-01 did not have a material impact on the financial statements.

Note 17 – Subsequent events

Subsequent events have been evaluated through February 24, 2021, the date in which the financial statements were available to be issued. On July 27, 2020, the Company entered into a \$650,000 mortgage note payable agreement with a commercial bank. The note bears interest at 3.7% and requires monthly payment of \$3,343.36 including principal and interest, with a lump sum final payment due on July 30, 2030. The mortgage loan is secured by a deed of trust on real property owned by the Company.

Note 18 – Covid-19 Pandemic response

The covid 19 pandemic and government responses has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. Due to Covid-19, the theatre was closed on March 12, 2020 and it remains closed as of February 24, 2021. The Company has postponed resumption of live theatre until October 2021 and predicts a significant decrease in theatre revenue for the fiscal year ending June 30, 2021.

In addition, effective June 2020, the Company terminated its lease agreement for their shop space in Oakland.