

**Marin Theatre Company**

Financial Statements

with

Report of Independent Auditors

For the year ended June 30, 2021



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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, 2021, 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, 2021, 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, 2020, and in our report dated February 24, 2021, 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, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*WMB<sup>2</sup>, LLP*

WMB<sup>2</sup>, LLP  
Larkspur, California  
March 28, 2022

**Marin Theatre Company**  
Statement of Financial Position  
As of June 30, 2021  
with comparative totals only as of June 30, 2020

	<u>2021 Totals</u>	<u>2020 Totals</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,253,758	\$ 569,892
Receivables		
Grants and contributions receivable	199,749	70,000
Other	32,834	-
Short-term investments	38,906	37,374
Special purpose reserves - short-term	102,028	98,000
Prepaid expenses	<u>11,973</u>	<u>11,500</u>
Total current assets	1,639,248	786,766
Property and equipment, net of accumulated depreciation	2,634,930	2,649,524
Receivables, long-term		
Grants and contributions receivable	52,299	107,299
Special purpose reserves, long-term	100,007	437,634
Deposits	37,805	37,805
Other assets	<u>5,708</u>	<u>-</u>
Total assets	<u>\$ 4,469,997</u>	<u>\$ 4,019,028</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Bank line of credit	\$ -	\$ 336,716
Accounts payable and accrued expenses	143,889	188,917
Deferred revenue	101,968	34,500
Note payable - Paycheck Protection Program	295,000	295,800
Note payable - Building, due within one year	<u>23,212</u>	<u>-</u>
Total current liabilities	564,069	855,933
Note payable - Building	611,476	-
Note Payable - Economic Injury Disaster Loan	150,000	150,000
Deposits	<u>3,500</u>	<u>2,000</u>
Total liabilities	1,329,045	1,007,933
Net assets		
Without donor restrictions	2,843,924	2,632,643
With donor restrictions	<u>297,028</u>	<u>378,452</u>
Total net assets	<u>3,140,952</u>	<u>3,011,095</u>
Total liabilities and net assets	<u>\$ 4,469,997</u>	<u>\$ 4,019,028</u>

See accompanying notes.

**Marin Theatre Company**  
Statement of Activities and Changes in Net Assets  
For the year ended June 30, 2021  
with comparative totals only for the year ended June 30, 2020

	Without donor restrictions	With donor restrictions	2021 Totals	2020 Totals
<b>Revenue</b>				
Subscription sales	\$ 24,890	\$ -	\$ 24,890	\$ 515,804
Single ticket sales	71,550	-	71,550	292,177
Ticket and order fees	33,215	-	33,215	28,153
Tuition income	995	-	995	139,655
Rental income	18,600	-	18,600	93,519
Concession income, net	-	-	-	10,650
Net investment return	7,240	-	7,240	(19,006)
Other income	76,143	-	76,143	10,627
<b>Total revenue</b>	<b>232,633</b>	<b>-</b>	<b>232,633</b>	<b>1,071,579</b>
<b>Support</b>				
Contributions from				
Board members	149,408	-	149,408	527,410
Individuals	998,728	-	998,728	545,758
Foundations	119,000	145,500	264,500	437,000
Corporations	53,537	-	53,537	23,014
Government				
Paycheck Protection Program loan forgiven	270,067	-	270,067	-
Employee Retention Credit	127,043	-	127,043	-
Other	28,250	-	28,250	10,000
Donated services and materials	8,201	-	8,201	54,477
Special events, net of donor direct benefit costs of \$0	-	-	-	231,863
Net assets released from restrictions	226,924	(226,924)	-	-
<b>Total support</b>	<b>1,981,158</b>	<b>(81,424)</b>	<b>1,899,734</b>	<b>1,829,522</b>
<b>Total revenue and support</b>	<b>2,213,791</b>	<b>(81,424)</b>	<b>2,132,367</b>	<b>2,901,101</b>
<b>Expenses</b>				
Program services				
Theatre	1,375,990	-	1,375,990	2,410,846
Education	57,895	-	57,895	209,800
<b>Total program services</b>	<b>1,433,885</b>	<b>-</b>	<b>1,433,885</b>	<b>2,620,646</b>
General and administrative	378,022	-	378,022	604,672
Development	190,603	-	190,603	378,136
<b>Total expenses</b>	<b>2,002,510</b>	<b>-</b>	<b>2,002,510</b>	<b>3,603,454</b>
Change in net assets	211,281	(81,424)	129,857	(702,353)
Net assets, beginning of year	2,632,643	378,452	3,011,095	3,713,448
Net assets, end of year	<u>\$ 2,843,924</u>	<u>\$ 297,028</u>	<u>\$ 3,140,952</u>	<u>\$ 3,011,095</u>

See accompanying notes.

**Marin Theatre Company**

Statement of Functional Expenses

For the year ended June 30, 2021

with comparative totals only for the year ended June 30, 2020

	Program Services				2020 Totals	
	Theatre	Education	Totals	General and administrative		Development
Salaries	\$ 616,498	\$ 46,449	\$ 662,947	\$ 30,847	\$ 70,193	\$ 763,987
Payroll taxes	53,852	4,045	57,897	2,613	6,539	67,049
Employee benefits	55,270	4,194	59,464	15,361	4,556	79,381
Production costs	172,623	-	172,623	7,299	26	179,948
Marketing and advertising	107,716	814	108,530	6,529	42,404	157,463
Bad debt	-	-	-	-	-	-
Occupancy	97,580	-	97,580	39,175	-	136,755
Computer software and technology	8,161	30	8,191	43,228	1,973	53,392
Supplies	923	-	923	1,129	658	2,710
Bank charges and fees	9,944	-	9,944	505	-	10,449
Insurance	7,389	-	7,389	28,808	-	36,197
Professional fees	152,341	-	152,341	161,058	58,311	371,710
Other	1,824	-	1,824	27,994	35	29,853
Royalties	14,495	-	14,495	-	-	14,495
Interest	21,884	-	21,884	1,409	-	23,293
Depreciation	55,490	2,363	57,853	12,067	5,908	75,828
<b>Total expenses</b>	<b>\$ 1,375,990</b>	<b>\$ 57,895</b>	<b>\$ 1,433,885</b>	<b>\$ 378,022</b>	<b>\$ 190,603</b>	<b>\$ 2,002,510</b>
						<b>\$ 3,603,454</b>

See accompanying notes.

**Marin Theatre Company**  
Statement of Cash Flows  
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 129,857	\$ (702,353)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	75,828	70,263
Realized and unrealized (gain) loss on investments	(6,245)	21,177
Changes in certain assets and liabilities		
Receivables	(107,583)	206,701
Prepaid expenses	(473)	59,105
Other assets	(5,708)	-
Accounts payable and accrued expenses	(45,028)	66,736
Deferred revenue	67,468	(416,752)
	<u>108,116</u>	<u>(695,123)</u>
Cash provided (used) by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(61,234)	(25,595)
Proceeds from sale of investments	17,291	-
Purchase of investments	(18,823)	(6,586)
Special purpose reserve activity, net	339,844	467,901
Increase in other liabilities	1,500	15,995
	<u>278,578</u>	<u>451,715</u>
Cash provided by investing activities		
Cash flows from financing activities		
Bank line of credit advances	-	486,716
Bank line of credit repayments	(336,716)	(150,000)
Repayment of mortgage notes	-	(164,025)
Proceeds from note payable - Building	650,000	-
Repayment of note payable - Building	(15,312)	-
Proceeds from note payable - Paycheck Protection Program	295,000	295,800
Forgiveness of note payable - Paycheck Protection Program	(295,800)	-
Proceeds from note payable - Economic Injury Disaster Loan	-	150,000
	<u>297,172</u>	<u>618,491</u>
Cash provided by financing activities		
Change in cash and cash equivalents	683,866	375,083
Cash and cash equivalents, beginning of year	<u>569,892</u>	<u>194,809</u>
Cash and cash equivalents, end of year	<u>\$ 1,253,758</u>	<u>\$ 569,892</u>
Supplemental disclosure of cash flow information:		
Cash paid during year for interest	<u>\$ 23,293</u>	<u>\$ 35,795</u>
Noncash financing activities:		
Forgiveness of notes payable - Paycheck Protection Program	<u>\$ 295,800</u>	<u>\$ -</u>

See accompanying notes.

**Marin Theatre Company**  
Notes to Financial Statements  
June 30, 2021

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 20<sup>th</sup> 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, 2021

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, 2021 and 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, 2021

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. For year ended June 30, 2020, the Company's 53<sup>rd</sup> Season Virtual Gala was held April 3 through April 16, 2020. There was no Gala during fiscal year ended June 30, , 2021.

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. As of June 30, 2021 and 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, 2021

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.

Risks and concentrations

Cash and cash equivalents held by the commercial bank exceeded federal deposit insurance limits at various times during the years ended June 30, 2021 and 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, 2021

Note 2 – Summary of significant accounting policies (continued)

Risks and concentrations (continued)

Receivables are subject to collection risk. Collection risk is the probability that the financial condition or other circumstances of a contractor or grantor may change, reducing or eliminating the subsequent collection of receivables.

The Company has received support that may be subject to audit or review by the grantor agencies. Management believes that the Company has complied with all aspects of grant and contract provisions and disallowed costs, if any, would be insignificant to its financial position.

During the year ended June 30, 2021, contributions received from one donor totaled 26% of total support and revenue.

At June 30, 2021, one government agency and two foundations accounted for 88% of total accounts receivable. At June 30, 2020, one foundation accounted for 93% of total accounts receivable.

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, 2020, 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:

	<u>2021</u>	<u>2020</u>
Gross receivable	\$ 254,749	\$ 180,000
Less: Discount to Net Present Value	<u>(2,701)</u>	<u>(2,701)</u>
Net receivable	<u>\$ 252,048</u>	<u>\$ 177,299</u>

**Marin Theatre Company**  
Notes to Financial Statements  
June 30, 2021

Note 3 – Grants and contributions receivable (continued)

Amounts due in:		
Less than one year	\$ 200,109	\$ 70,000
One to five years	<u>52,299</u>	<u>107,299</u>
	<u>\$ 252,408</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.

Investments by investment type held at June 30, 2021 consist of the following:

	<u>Short-term investments</u>	<u>Special purpose reserves</u>	<u>Total</u>	<u>Level 1</u>
Cash and cash equivalents	\$ -	\$ 102,028	\$ 102,028	\$ -
Money market funds	1,964	100,007	101,971	101,971
Exchange traded funds	<u>36,942</u>	<u>-</u>	<u>36,942</u>	<u>36,942</u>
	<u>\$ 38,906</u>	<u>\$ 202,035</u>	<u>\$ 240,941</u>	<u>\$ 138,913</u>

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

	<u>Short-term investments</u>	<u>Special purpose reserves</u>	<u>Total</u>	<u>Level 1</u>
Cash and cash equivalents	\$ -	\$ 301,972	\$ 301,972	\$ -
Money market funds	10,785	233,662	244,447	244,447
Exchange traded funds	<u>26,589</u>	<u>-</u>	<u>26,589</u>	<u>26,589</u>
	<u>\$ 37,374</u>	<u>\$ 535,634</u>	<u>\$ 573,008</u>	<u>\$ 271,036</u>

**Marin Theatre Company**  
Notes to Financial Statements  
June 30, 2021

Note 4 – Investments and special purpose reserves (continued)

Net investment return for the years ended June 30, 2021 and 2020 consist of the following:

	2021	2020
Interest and dividend income	\$ 995	\$ 2,171
Realized and unrealized loss	6,245	(21,177)
	\$ 7,240	\$ (19,006)

Special purpose reserves for the years ended June 30, 2021 and 2020, consist of the following:

	2021	2020
Mellon Foundation grant	\$ 102,028	\$ 198,729
Facilities reserve	100,007	336,905
	\$ 202,035	\$ 535,634

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 years ended June 30, 2021 and 2020 is \$37,805.

**Marin Theatre Company**  
Notes to Financial Statements  
June 30, 2021

Note 6 – Property and equipment

At June 30, 2021 and 2020, property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Related to Theatre operations		
Land	\$ 870,568	\$ 870,568
Building and improvements	2,429,571	2,417,245
Production equipment and theatre furnishings	221,423	276,986
Office equipment	42,749	111,685
Vehicle	<u>19,095</u>	<u>19,095</u>
 Total Theatre property	 3,583,406	 3,695,579
Executive housing (two residences)		
Land	1,000,000	1,000,000
Building and improvements	<u>573,582</u>	<u>573,582</u>
 Total housing property	 <u>1,573,582</u>	 <u>1,573,582</u>
 Total property and equipment	 5,156,988	 5,269,161
Accumulated depreciation	<u>(2,522,058)</u>	<u>(2,619,637)</u>
 Property and equipment, net	 <u>\$ 2,634,930</u>	 <u>\$ 2,649,524</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 \$0 was borrowed as of June 30, 2021 and \$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 4.00%, 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 July 2021. The bank will have the ability to renew the line of credit again in July 2022.

**Marin Theatre Company**  
Notes to Financial Statements  
June 30, 2021

Note 8 – Note payable – Paycheck Protection Program forgivable loan

The Company was granted two loans under promissory notes issued by Bank of Marin and TMC Financing under the Paycheck Protection Program (PPP) which was established under the Corona Aid, Relief, and Economic Security (CARES) Act and is administered by the U.S. Small Business Administration (SBA). On May 31, 2020, the Company received loan proceeds of \$295,800 and on April 20, 2021, the Company received loan proceeds of \$295,000. The terms on the first loan are two years and the second loan is five years and the annual interest rate is 1% on both loans. 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 PPP. Such forgiveness is to 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 expected to meet the PPP's eligibility criteria, and expected to record the proceeds as contribution revenue at the time of forgiveness. The Company initially recorded a note payable on the first PPP loan at June 30, 2020 and subsequently recorded partial forgiveness when the loan obligation was legally released on March 30, 2021. The Company recognized \$270,067 of contribution revenue for the year ended June 30, 2021 and the balance totaling \$25,733 plus interest was returned to the lender. On December 21, 2021, the Company was granted forgiveness on the second PPP loan. Thus, at June 30, 2021 the entire second loan balance is recorded on the Company's financial statements as a Note Payable, all short term.

Note 9 – Note payable – Building

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 a monthly payment of \$3,343 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.

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

**Marin Theatre Company**  
Notes to Financial Statements  
June 30, 2021

Note 9 – Note payable – Building (continued)

2022	\$ 23,212
2023	22,575
2024	21,915
2025	21,230
2026	20,519
Thereafter	<u>525,237</u>
	634,688
Less amount due within one year	<u>(23,212)</u>
	<u>\$ 611,476</u>

Note 10 – Note payable – Economic Injury Disaster Loan

During the year ended June 30, 2021, 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 the Covid 19 virus. The note bears interest at 2.75% and requires monthly payments of \$641 including principal and interest. The 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 year ended June 30:

2022	\$ -
2023	746
2024	3,387
2025	3,481
2026	3,578
Thereafter	<u>138,808</u>
	150,000
Less amount due within one year	<u>-</u>
	<u>\$ 150,000</u>



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Note 11 – Net assets without donor restrictions

During the year ended June 30, 2021 and 2020, net assets without donor restrictions reconcile as follows:

	<u>2021</u>	<u>2020</u>
Undesignated	\$3,040,945	\$2,674,290
Board designated: Facilities reserve	<u>100,007</u>	<u>336,805</u>
	<u>\$3,140,952</u>	<u>\$3,011,095</u>

Note 12 – Net assets with donor restrictions

During the year ended June 30, 2021, net assets with donor restrictions reconcile as follows:

	<u>2020</u>	<u>Additions</u>	<u>Releases</u>	<u>2021</u>
<u>Program Restrictions</u>				
Residencies	\$198,452	\$ -	\$ 96,424	\$102,028
New Play Development	15,000	-	-	15,000
Production expenses	-	90,000	20,000	70,000
Education	-	55,500	55,500	-
Total program restricted net assets	213,452	145,500	171,924	187,028
<u>Time Restrictions</u>	<u>165,000</u>	<u>-</u>	<u>55,000</u>	<u>110,000</u>
Total	<u>\$378,452</u>	<u>\$145,500</u>	<u>\$226,924</u>	<u>\$297,028</u>

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Note 12 – Net assets with donor restrictions (continued)

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 13 – 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 years ended June 30, 2021 and 2020.

Note 14 – Rental income

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.

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Note 14 – Rental income (continued)

Rental income collected from all sources listed above totaled \$18,600 and \$93,519 for the years ended June 30, 2021 and 2020, respectively.

Note 15 – 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 is in current negotiations to extend the agreements.

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 agreements with its artistic director that extends through June 2024 and with its managing director that extends through June 2022.

Note 16 – 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 and amounts for payment of long-term debt.

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Note 16 – Liquidity and availability of financial assets (continued)

	2021	2020
Financial assets, at year end:		
Cash and cash equivalents	\$ 1,253,758	\$ 569,892
Receivables	284,882	177,299
Investments	38,906	37,374
Special purpose reserves	202,035	535,634
	1,779,581	1,320,199
Less those unavailable for general expenditures within one year, due to:		
Donor restricted for artist-in-residence	-	100,729
Board designated for facilities reserve	100,007	336,905
Receivable due in more than one year	52,299	107,299
Payment of long-term debt - Building	611,476	-
Payment of Long-term debt - Economic Injury Disaster Loan	150,000	-
	913,782	544,933
Financial assets available to meet cash needs for general expenditures within one year	\$ 865,799	\$ 775,266

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

Note 17 – Covid-19 Pandemic response

The Covid-19 pandemic and government responses caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. Due to Covid-19, the U.S. government enacted the CARES Act, which included significant provisions to provide relief and assistance to affected organizations. The Company received two PPP loans and secured an Economic Injury Disaster (EIDL) loan through the CARES Act. During fiscal year ended June 30, 2021, the Company was also granted the Employee Retention Credit (ERC) in the amount of \$127,043, which the Company has recognized as a government grant. The theatre closed on March 12, 2020 and remained closed through November 18, 2021 when the theatre reopened for live entertainment.

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Note 18 – Subsequent events

Subsequent events have been evaluated through March 28, 2022, the date in which the financial statements were available to be issued. On December 21, 2021, the Company was granted forgiveness on the second PPP loan. On November 10, 2021, the Company signed an agreement for an additional government grant from the SBA for Shuttered Venue Operators Grant (SVOG) totaling \$724,330 to be expended during the year ended June 30, 2022.