

Marin Theatre Company

Financial Statements

with

Report of Independent Auditors

For the year ended June 30, 2018

Report of Independent Auditors

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH
SHIRLEY CHEN-BLUM

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, 2018, 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, 2018, 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, 2017, and in our report dated November 1, 2017, 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, 2017 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
November 13, 2018

Marin Theatre Company
Statement of Financial Position
As of June 30, 2018
with comparative totals only as of June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 333,730	\$ -	\$ 333,730	\$ 110,747
Receivables				
Grants and contributions, due within one year	103,449	120,000	223,449	160,574
Executive housing contribution, due within one year	5,211	150,000	155,211	155,983
Other	37,839	-	37,839	29,882
Investments, at fair value	57,836	-	57,836	277,708
Prepaid expenses	117,959	-	117,959	106,750
Total current assets	656,024	270,000	926,024	841,644
Property and equipment, net of accumulated depreciation	2,782,104	-	2,782,104	2,874,382
Grants and contributions receivable, due after one year	-	81,633	81,633	185,133
Executive housing contribution receivable, due after one year	-	196,408	196,408	338,163
Special purpose reserves, at fair value	829,520	-	829,520	946,009
Deposits and other assets	44,259	-	44,259	51,800
Total assets	\$ 4,311,907	\$ 548,041	\$ 4,859,948	\$ 5,237,131
Liabilities and net assets				
Current liabilities				
Bank line of credit	\$ 140,000	\$ -	\$ 140,000	\$ 47,553
Accounts payable and accrued expenses	97,448	-	97,448	321,956
Deferred revenue	477,551	-	477,551	455,043
Mortgage notes payable, due within one year	19,170	-	19,170	41,963
Total current liabilities	734,169	-	734,169	866,515
Interfund payable (receivable)	352,422	(352,422)	-	-
Mortgage notes payable	284,982	-	284,982	412,102
Total liabilities	1,371,573	(352,422)	1,019,151	1,278,617
Total net assets	2,940,334	900,463	3,840,797	3,958,514
Total liabilities and net assets	\$ 4,311,907	\$ 548,041	\$ 4,859,948	\$ 5,237,131

See accompanying notes.

Marin Theatre Company
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2018
with comparative totals only for the year ended June 30, 2017

	Unrestricted	Temporarily restricted	2018 Totals	2017 Totals
Revenue				
Subscription sales	\$ 464,674	\$ -	\$ 464,674	\$ 444,975
Single ticket sales	482,964	-	482,964	523,805
Tuition income	170,544	-	170,544	201,428
Ticket and order fees	105,074	-	105,074	93,622
Program ad sales	-	-	-	17,920
Rental income	54,850	-	54,850	26,720
Concession income, net	28,683	-	28,683	26,749
Investment income	41,122	-	41,122	15,456
Other income	40,741	-	40,741	34,587
Total revenue	1,388,652	-	1,388,652	1,385,262
Support				
Contributions from				
Board members	378,103		378,103	467,010
Individuals	1,095,431	30,728	1,126,159	1,737,103
Foundations	195,500	14,000	209,500	337,750
Corporations	32,557	-	32,557	23,292
Government	16,662	20,000	36,662	23,500
Donated services and materials	80,321	-	80,321	12,753
Special events, net of donor direct benefit costs of \$114,616 (2017 - \$128,899)	206,414	-	206,414	165,004
Net assets released from restrictions	442,057	(442,057)	-	-
Total support	2,447,045	(377,329)	2,069,716	2,766,412
Total revenue and support	3,835,697	(377,329)	3,458,368	4,151,674
Expenses				
Program services				
Theatre	2,607,569	-	2,607,569	2,628,194
Education	232,290	-	232,290	301,522
Total program services	2,839,859	-	2,839,859	2,929,716
General and administrative	379,858	-	379,858	345,601
Development	356,368	-	356,368	415,249
Total expenses	3,576,085	-	3,576,085	3,690,566
Change in net assets	259,612	(377,329)	(117,717)	461,108
Net assets, beginning of year	2,680,722	1,277,792	3,958,514	3,497,406
Net assets, end of year	\$ 2,940,334	\$ 900,463	\$ 3,840,797	\$ 3,958,514

See accompanying notes.

Marin Theatre Company

Statement of Functional Expenses

For the year ended June 30, 2018

with comparative totals only for the year ended June 30, 2017

	Program Services			General and administrative	Development	2018 Totals	2017 Totals
	Theatre	Education	Totals				
Artistic salaries and fees	\$ 897,042	\$ 120,630	1,017,672	\$ -	-	\$ 1,017,672	\$ 1,020,225
Administrative salaries and fees	147,536	18,386	165,922	264,556	-	430,478	392,483
Production salaries and fees	625,815	6,023	631,838	-	-	631,838	626,232
Marketing salaries and fees	109,178	14,881	124,059	-	255,035	379,094	371,226
Production costs	259,009	36,924	295,933	-	-	295,933	341,934
Marketing and advertising	212,065	796	212,861	1,120	55,275	269,256	306,021
Facility maintenance and utilities	127,985	14,955	142,940	28,504	9,529	180,973	158,249
Computer software and technology	41,862	7,911	49,773	5,757	15,799	71,329	73,422
Supplies	20,766	2,634	23,400	4,743	1,315	29,458	35,098
Bank charges and fees	65,454	670	66,124	3,401	1,377	70,902	68,037
Insurance	18,168	1,320	19,488	8,196	2,344	30,028	31,607
Professional fees	-	-	-	24,500	-	24,500	19,879
Other	18,095	1,623	19,718	2,838	5,544	28,100	84,161
Interest	-	-	-	24,247	-	24,247	34,371
Depreciation	64,594	5,537	70,131	11,996	10,150	92,277	127,621
Total expenses	\$ 2,607,569	\$ 232,290	\$ 2,839,859	\$ 379,858	\$ 356,368	\$ 3,576,085	\$ 3,690,566

See accompanying notes.

Marin Theatre Company
Statement of Cash Flows
For the year ended June 30, 2018
with comparative totals only for the year ended June 30, 2017

	<u>2018 Totals</u>	<u>2017 Totals</u>
Cash flows from operating activities		
Change in net assets	\$ (117,717)	\$ 461,108
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	92,277	127,621
Changes in certain assets and liabilities		
Receivables	175,195	278,397
Prepaid expenses	(11,209)	(45,583)
Accounts payable and accrued expenses	(224,508)	212,140
Deferred revenue	22,508	(72,615)
	<u>(63,454)</u>	<u>961,068</u>
Cash provided (used) by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	1	(9,729)
Increase (decrease) in investments	219,872	(13,533)
Special purpose reserve activity, net	116,489	(664,996)
Decrease in deposits	7,541	5,500
	<u>343,903</u>	<u>(682,758)</u>
Cash provided (used) by investing activities		
Cash flows from financing activities		
Bank line of credit advances	(272,553)	445,000
Bank line of credit repayments	365,000	(547,447)
Repayment of mortgage notes	(149,913)	(290,639)
	<u>(57,466)</u>	<u>(393,086)</u>
Cash used by financing activities		
Change in cash and cash equivalents	222,983	(114,776)
Cash and cash equivalents, beginning of year	110,747	225,523
Cash and cash equivalents, end of year	<u>\$ 333,730</u>	<u>\$ 110,747</u>
Cash paid during year for interest	<u>\$ 24,247</u>	<u>\$ 34,371</u>

See accompanying notes.

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

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). 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.

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.

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

Note 2 - Summary of significant accounting policies (continued)

Basis of presentation (continued)

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. The Company held no permanently restricted net assets as of June 30, 2018 or 2017.

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 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.

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

Note 2 - Summary of significant accounting policies (continued)

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 securities, which are carried at fair value. Interest, dividends, and 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, 2018, management concluded that any allowance for doubtful accounts would not be material to the financial position of the Company.

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.

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

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

Note 2 - Summary of significant accounting policies (continued)

Fair value measurements (continued)

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 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.

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, 2018.

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.

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 Company's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

Note 2 - Summary of significant accounting policies (continued)

Comparative totals (continued)

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events

Subsequent events have been evaluated through November 13, 2018, the date in which the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that required recognition or disclosure.

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.

As of June 30, 2018, the grant receivable expected to be collected in successive years is as follows:

2019	\$ 50,000
2020	50,000
2021	50,000
Less discount	(19,367)
Less amount due with one year	(50,000)
	<u>80,633</u>
	<u>\$ 80,633</u>

As of June 30, 2018, the Company also has a number of other current grant and contribution receivables outstanding, totaling \$223,449.

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.

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

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 had 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.

As of June 30, 2018, the contribution receivable expected to be collected in successive years is as follows:

2019	\$ 150,000
2020	150,000
2021	77,822
Less discount	(31,414)
Less amount due with one year	<u>(150,000)</u>
	<u>\$ 196,408</u>

The Company received \$54,850 in rental income during the year ended June 30, 2018 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.

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

Note 5 - Investments

Investments and money market accounts held as of June 30, 2018 and 2017 are held by two different financial institutions. The Company's portfolio of accounts consists of the following:

	2018		2017	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Money Market Fund (Mellon grants)	\$ 100,486	\$ 100,486	\$ 199,218	\$ 199,218
Money Market Fund (facilities reserve)	729,034	729,034	746,791	746,791
Operating reserve – liquid fund	6,773	6,773	28,483	28,483
Operating reserve - equity investments	24,015	51,063	239,052	249,255
Total	<u>\$ 860,308</u>	<u>\$ 887,356</u>	<u>\$1,213,544</u>	<u>\$1,223,747</u>

Although each account holds similar investments in nature, each account contains a specific operational purpose and has a designated functionality, as defined by the Company's Board of Directors.

These accounts are classified in the accompanying statement of financial position as current or non-current assets.

	<u>2018</u>	<u>2017</u>
Investments, at fair value	\$ 57,836	\$ 277,708
Special purpose reserves, at fair value	829,520	946,009
Total	<u>\$ 887,356</u>	<u>\$1,223,747</u>

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

Note 6 - Property and equipment

At June 30, 2018 property and equipment (at cost) consists of the following:

Related to Theatre operations	
Land	\$ 870,568
Building and improvements	2,417,245
Production equipment and theatre furnishings	276,711
Office equipment	105,712
Vehicle	<u>23,240</u>
 Total Theatre property	 3,693,476
Executive housing (two residences)	
Land	1,000,000
Building and improvements	<u>564,582</u>
 Total housing property	 <u>1,564,582</u>
 Total property and equipment	 5,258,058
Less accumulated depreciation	<u>(2,475,954)</u>
 Net property and equipment	 <u><u>\$ 2,782,104</u></u>

Note 7 – Special purpose reserves

The Company holds reserve funds, which can be either donor restricted or board designated, for specific initiatives. As of June 30, 2018, the Company held accounts at one commercial institution, all held as money market funds.

In May 2017 the Company received a large stock donation from an individual donor, for a total value equaling \$495,542. The donor provided this gift with no restrictions; however, the Board of Directors elected to designate this donation for facility growth and expansion.

Note 8 - Deposits

As of June 30, 2018, deposits include \$37,805, 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.

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

Note 9 – Bank line of credit

The Company has available a \$300,000 line of credit from a commercial bank. Of the available amount, \$140,000 was borrowed as of June 30, 2018. Amounts borrowed bear interest at the bank's prime rate plus 1.00% (5.00% prime rate as of June 30, 2018) with a floor of 4.25% and are collateralized by all real and personal property of the Company. The line of credit was renewed by the bank in August 2018. The bank will have the ability to renew the line of credit again in August 2019.

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. One note has been paid in full. The remaining note has a remaining balance of \$304,152 as of June 30, 2018, currently bears interest at 3.70%, and requires monthly payments of \$2,895, including principal and interest. A donor has pledged funds to retire this note within the next two years.

The interest rate on the remaining loan will adjust to a monthly LIBOR 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 note is secured by the residential property it financed.

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

2019	\$	19,170
2020		21,800
2021		23,000
2022		25,100
2023		27,500
Thereafter		187,582
		304,152
Less amount due within one year		(19,170)
		\$ 284,982

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, 2018

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets consist of the following for the year ended June 30, 2018. Amounts released were the result of meeting donor-imposed program restrictions.

	June 30, <u>2017</u>	<u>Received</u>	<u>Released</u>	June 30, <u>2018</u>
Executive housing	\$663,886	-	\$189,570	\$474,316
Play development	200,000	-	50,000	150,000
Education and outreach	10,000	-	2,318	7,682
Scholarships	12,319	30,728	-	43,047
General operations	177,410	-	67,410	110,000
Residencies	214,177	-	98,759	115,418
Mainstage programs	-	34,000	34,000	-
	<u>\$1,277,792</u>	<u>\$64,728</u>	<u>\$442,057</u>	<u>\$900,463</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, 2018.

Note 13 - Lease commitment

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 continues to be rented on an annual basis. Rent expenses aggregated \$53,540 for the year ended June 30, 2018.

Effective July 1, 2016 the Company entered into a three-year lease agreement with an independent third party to lease an apartment to act as an executive housing location. Rent is collected from the executive and paid directly to the third party by the Company. There are no outstanding amounts due from the executive as of June 30, 2018.

Marin Theatre Company
Notes to Financial Statements
June 30, 2018

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 receipt's 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 entered into an agreement with United Scenic Artists that expires in June 2018. 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 2021 and with its managing director that extends through December 2019.