

Marin Theatre Company

Financial Statements

with

Report of Independent Auditors

For the year ended June 30, 2022



101 LARKSPUR LANDING CIRCLE
SUITE 200. LARKSPUR. CA. 94939

MAIN OFFICE (415) 925-1120
FAX (415) 925-1140

Report of Independent Auditors

To the Board of Directors
of Marin Theatre Company

Opinion

We have audited the accompanying financial statements of Marin Theatre Company (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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.

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, 2022, 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 of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marin Theatre Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marin Theatre Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Marin Theatre Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marin Theatre Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the financial statements of Marin Theatre Company as of and for the year ended June 30, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which the information was derived.

WMB², LLP

WMB², LLP
Larkspur, California
January 30, 2023

Marin Theatre Company
Statement of Financial Position
As of June 30, 2022
with comparative totals only as of June 30, 2021

	2022 Totals	2021 Totals
Assets		
Current assets		
Cash and cash equivalents	\$ 734,085	\$ 1,253,758
Receivables		
Grants and contributions receivable	80,250	199,749
Other	1,915	32,834
Short-term investments	35,668	38,906
Special purpose reserves - short-term	-	102,028
Prepaid expenses	8,970	11,973
Total current assets	860,888	1,639,248
Property and equipment, net of accumulated depreciation	2,676,547	2,634,930
Receivables, long-term		
Grants and contributions receivable	-	52,299
Special purpose reserves, long-term	250,087	100,007
Deposits	37,805	37,805
Loan fees	5,080	5,708
Total assets	\$ 3,830,407	\$ 4,469,997
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 185,150	\$ 143,889
Deferred revenue	63,089	101,968
Note payable - Paycheck Protection Program	-	295,000
Note Payable - Economic Injury		
Disaster Loan	2,207	-
Note payable - Building, due within one year	17,545	23,212
Total current liabilities	267,991	564,069
Note payable - Building	600,550	611,476
Note Payable - Economic Injury		
Disaster Loan	147,793	150,000
Deposits	3,500	3,500
Total liabilities	1,019,834	1,329,045
Net assets		
Without donor restrictions	2,735,573	2,843,924
With donor restrictions	75,000	297,028
Total net assets	2,810,573	3,140,952
Total liabilities and net assets	\$ 3,830,407	\$ 4,469,997

See accompanying notes.

Marin Theatre Company
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2022
with comparative totals only for the year ended June 30, 2021

	Without donor restrictions	With donor restrictions	2022 Totals	2021 Totals
Revenue				
Subscription sales	\$ 82,922	\$ -	\$ 82,922	\$ 24,890
Single ticket sales	214,553	-	214,553	71,550
Ticket and order fees	14,652	-	14,652	33,215
Tuition income	-	-	-	995
Rental income	27,000	-	27,000	18,600
Net investment (loss) return	(3,130)	-	(3,130)	7,240
Other income	15,813	-	15,813	76,143
	<u>351,810</u>	<u>-</u>	<u>351,810</u>	<u>232,633</u>
Total revenue				
Support				
Contributions from				
Board members	137,239	-	137,239	149,408
Individuals	544,304	-	544,304	998,728
Foundations	181,963	107,000	288,963	264,500
Corporations	4,077	-	4,077	53,537
Government				
Shuttered Venue Operators Grant	724,330	-	724,330	-
Paycheck Protection Program loan forgiven	295,000	-	295,000	270,067
Employee Retention Credit	-	-	-	127,043
Other	-	-	-	28,250
Donated services and materials	-	-	-	8,201
Net assets released from restrictions	329,028	(329,028)	-	-
	<u>2,215,941</u>	<u>(222,028)</u>	<u>1,993,913</u>	<u>1,899,734</u>
Total support				
	<u>2,567,751</u>	<u>(222,028)</u>	<u>2,345,723</u>	<u>2,132,367</u>
Total revenue and support				
Expenses				
Program services				
Theatre	2,092,583	-	2,092,583	1,375,990
Education	41,462	-	41,462	57,895
	<u>2,134,045</u>	<u>-</u>	<u>2,134,045</u>	<u>1,433,885</u>
Total program services				
General and administrative	359,508	-	359,508	378,022
Development	182,549	-	182,549	190,603
	<u>2,676,102</u>	<u>-</u>	<u>2,676,102</u>	<u>2,002,510</u>
Total expenses				
	<u>(108,351)</u>	<u>(222,028)</u>	<u>(330,379)</u>	<u>129,857</u>
Change in net assets				
Net assets, beginning of year	<u>2,843,924</u>	<u>297,028</u>	<u>3,140,952</u>	<u>3,011,095</u>
Net assets, end of year	<u>\$ 2,735,573</u>	<u>\$ 75,000</u>	<u>\$ 2,810,573</u>	<u>\$ 3,140,952</u>

See accompanying notes.

Marin Theatre Company

Statement of Functional Expenses

For the year ended June 30, 2022

with comparative totals only for the year ended June 30, 2021

	Program Services				Development	2022 Totals	2021 Totals
	Theatre	Education	Totals	General and administrative			
Salaries	\$ 1,035,725	\$ 35,245	\$ 1,070,970	\$ 86,850	\$ 51,991	\$ 1,209,811	\$ 763,987
Payroll taxes	90,274	3,998	94,272	7,645	4,577	106,494	67,049
Employee benefits	137,673	-	137,673	18,598	1,343	157,614	79,381
Production costs	192,570	2,071	194,641	868	87	195,596	179,948
Marketing and advertising	112,634	88	112,722	10,767	32,443	155,932	157,463
Occupancy	136,293	-	136,293	21,309	-	157,602	136,755
Computer software and technology	24,861	60	24,921	27,799	5,009	57,729	53,392
Supplies	4,754	-	4,754	5,268	-	10,022	2,710
Bank charges and fees	14,103	-	14,103	481	-	14,584	10,449
Insurance	7,591	-	7,591	15,192	-	22,783	36,197
Professional fees	158,541	-	158,541	157,566	87,099	403,206	371,710
Other	3,598	-	3,598	759	-	4,357	29,853
Royalties	57,530	-	57,530	-	-	57,530	14,495
Interest	24,156	-	24,156	624	-	24,780	23,293
Depreciation	92,280	-	92,280	5,782	-	98,062	75,828
Total expenses	\$ 2,092,583	\$ 41,462	\$ 2,134,045	\$ 359,508	\$ 182,549	\$ 2,676,102	\$ 2,002,510

See accompanying notes.

Marin Theatre Company
Statement of Cash Flows
For the years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities	\$ (330,379)	\$ 129,857
Change in net assets		
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	99,812	75,828
Realized and unrealized (gain) loss on investments	4,724	(6,245)
Changes in certain assets and liabilities		
Receivables	202,717	(107,583)
Prepaid expenses	3,003	(473)
Other assets	628	(5,708)
Accounts payable and accrued expenses	41,261	(45,028)
Deferred revenue	(38,879)	67,468
	(17,113)	108,116
Cash (used) provided by operating activities		
Cash flows from investing activities	(141,429)	(61,234)
Purchases of property and equipment	9,220	17,291
Proceeds from sale of investments	(5,982)	(18,823)
Purchase of investments	(52,776)	339,844
Special purpose reserve activity, net	-	1,500
Increase in other liabilities	-	-
Cash (used) provided by investing activities	(190,967)	278,578
Cash flows from financing activities		
Bank line of credit repayments	-	(336,716)
Repayment of mortgage notes	(16,593)	-
Proceeds from note payable - Building	-	650,000
Repayment of note payable - Building	-	(15,312)
Proceeds from note payable - Paycheck Protection Program	-	295,000
Forgiveness of note payable - Paycheck Protection Program	(295,000)	(295,800)
	(311,593)	297,172
Cash (used) provided by financing activities		
Change in cash and cash equivalents	(519,673)	683,866
Cash and cash equivalents, beginning of year	1,253,758	569,892
Cash and cash equivalents, end of year	\$ 734,085	\$ 1,253,758
Supplemental disclosure of cash flow information:		
Cash paid during year for interest	\$ 24,780	\$ 23,293
Noncash financing activities:		
Forgiveness of notes payable - Paycheck Protection Program	\$ 295,000	\$ 295,800

See accompanying notes.

Marin Theatre Company
Notes to Financial Statements
June 30, 2022

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, 2022

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, 2022 and 2021.

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. During the years ended June 30, 2022 and 2021, there were no donated materials and services recognized.

Marin Theatre Company
Notes to Financial Statements
June 30, 2022

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 held no special events during the years ended June 30, 2022 or 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, 2022 and 2021, 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, 2022

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, 2022 and 2021.

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, 2022

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.

At June 30, 2022, one foundation accounted for 67% of total accounts receivable. At June 30, 2021, one government agency and two foundations accounted for 88% of total accounts receivable.

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

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, 2021, 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>2022</u>	<u>2021</u>
Gross receivable	\$ 80,250	\$ 254,749
Less: Discount to Net Present Value	<u>-</u>	<u>(2,701)</u>
Net receivable	<u>\$ 80,250</u>	<u>\$ 252,048</u>

Marin Theatre Company
Notes to Financial Statements
June 30, 2022

Note 3 – Grants and contributions receivable (continued)

Amounts due in:		
Less than one year	\$ 80,250	\$ 199,749
One to five years	<u>-</u>	<u>52,299</u>
	<u>\$ 80,250</u>	<u>\$ 252,048</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, 2022 consist of the following:

	Short-term investments	Special purpose reserves	Total	Level 1
Cash and cash equivalents	\$ -	\$ 150,005	\$ 150,005	\$ -
Money market funds	4,166	100,082	104,248	104,248
Exchange traded funds	<u>31,502</u>	<u>-</u>	<u>31,502</u>	<u>31,502</u>
	<u>\$ 35,668</u>	<u>\$ 250,087</u>	<u>\$ 285,755</u>	<u>\$ 135,750</u>

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

	Short-term investments	Special purpose reserves	Total	Level 1
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>

Marin Theatre Company
Notes to Financial Statements
June 30, 2022

Note 4 – Investments and special purpose reserves (continued)

Net investment (loss) return for the years ended June 30, 2022 and 2021 consist of the following:

	2022	2021
Interest and dividend income	\$ 1,594	\$ 995
Realized and unrealized loss	(4,724)	6,245
	\$ (3,130)	\$ 7,240

Special purpose reserves for the years ended June 30, 2022 and 2021 consist of the following:

	2022	2021
EIDL Loan reserve	\$ 150,005	\$ -
Facilities reserve	100,082	100,007
Mellon Foundation grant	-	102,028
	\$ 250,087	\$ 202,035

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, 2022 and 2021 is \$37,805.

Marin Theatre Company
Notes to Financial Statements
June 30, 2022

Note 6 – Property and equipment

At June 30, 2022 and 2021, property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Related to Theatre operations		
Land	\$ 870,568	\$ 870,568
Building and improvements	2,553,736	2,429,571
Production equipment and theatre furnishings	221,423	221,423
Office equipment	60,013	42,749
Vehicle	<u>12,095</u>	<u>19,095</u>
Total Theatre property	3,717,835	3,583,406
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	5,291,417	5,156,988
Accumulated depreciation	<u>(2,614,870)</u>	<u>(2,522,058)</u>
Property and equipment, net	<u>\$ 2,676,547</u>	<u>\$ 2,634,930</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, 2022 and 2021. 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 February 2023.

Marin Theatre Company
Notes to Financial Statements
June 30, 2022

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 was two years and the second loan was five years and the annual interest rate was 1% on both loans. Under the terms of the CARES Act, PPP loan recipients could apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness was 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 met the PPP's eligibility criteria, and recorded 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. Similarly, the Company initially recorded a note payable on the second PPP loan at June 30, 2021 and subsequently recorded forgiveness when the loan obligation was legally released on December 21, 2021. The Company recognized \$295,000 of contribution revenue for the year ended June 30, 2022.

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, 2022

Note 9 – Note payable – Building (continued)

2023	\$ 17,545
2024	18,205
2025	18,890
2026	19,601
2027	20,339
Thereafter	<u>523,515</u>
	618,095
Less amount due within one year	<u>(17,545)</u>
	<u><u>\$ 600,550</u></u>

Note 10 – Note payable – Economic Injury Disaster Loan

During the year ended June 30, 2022, 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:

2023	\$ 2,207
2024	3,387
2025	3,481
2026	3,578
2027	3,678
Thereafter	<u>133,669</u>
	150,000
Less amount due within one year	<u>(2,207)</u>
	<u><u>\$ 147,793</u></u>

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Note 11 – Net assets without donor restrictions

During the year ended June 30, 2022 and 2021, net assets without donor restrictions reconcile as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	\$2,485,486	\$2,743,917
EIDL emergency fund	150,005	-
Board designated: Facilities reserve	<u>100,082</u>	<u>100,007</u>
	<u>\$2,735,573</u>	<u>\$2,843,924</u>

Note 12 – Net assets with donor restrictions

During the year ended June 30, 2022, net assets with donor restrictions reconcile as follows:

	<u>2021</u>	<u>Additions</u>	<u>Releases</u>	<u>2022</u>
<u>Program Restrictions</u>				
Residencies	\$102,028	\$ -	\$102,028	\$ -
New Play Development	15,000	-	15,000	-
Production expenses	70,000	15,000	85,000	-
Education	-	92,000	72,000	20,000
	<u>187,028</u>	<u>107,000</u>	<u>274,028</u>	<u>20,000</u>
<u>Time Restrictions</u>	<u>110,000</u>	<u>-</u>	<u>55,000</u>	<u>55,000</u>
Total	<u>\$297,028</u>	<u>\$107,000</u>	<u>\$329,028</u>	<u>\$ 75,000</u>

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Note 12 – Net assets with donor restrictions (continued)

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

	2020	Additions	Releases	2021
<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>	165,000	-	55,000	110,000
Total	<u>\$378,452</u>	<u>\$ 145,500</u>	<u>\$ 226,924</u>	<u>\$ 297,028</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, 2022 and 2021.

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.

Rental income collected from all sources listed above totaled \$27,000 and \$18,600 for the years ended June 30, 2022 and 2021, respectively.

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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), Stage Directors and Choreographers Society (SDCS) and United Scenic Artists (USA). The agreements with AEA, SDCS and USA 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 extends through February 2023. The agreement with SDCS and USA require a minimum compensation based on the length of a performance. The agreement with SDCS and USA extends through April 2024 and June 2024, respectively.

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 a service agreement with its artistic director that extended through June 2024. The agreement was revised in November 2022 and it terminates in March 2023.

The Company executed a service agreement with its managing director that terminated June 2022. The Company is in current negotiations to extend the agreement.

Note 16 – 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 forgivable loans (see Note 8), a Shuttered Venue Operators Grant (SVOG) (see below) and secured an Economic Injury Disaster (EIDL) loan (see Note 10) through the CARES Act.

On November 10, 2021, the Company was awarded a \$724,330 SVOG grant. The full amount of the grant was recognized as contribution revenue during the fiscal year ended June 30, 2022 in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the SVOG grant no longer existed.

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 17 – 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.

	2022	2021
Financial assets, at year end:		
Cash and cash equivalents	\$ 734,085	\$ 1,253,758
Receivables	82,165	284,882
Investments	35,668	38,906
Special purpose reserves	250,087	202,035
	1,102,005	1,779,581
Less those unavailable for general expenditures within one year, due to:		
Board designated for facilities reserve	100,082	100,007
Board designated for EIDL emergency fund	150,005	-
Receivable due in more than one year	-	52,299
	250,087	152,306
Financial assets available to meet cash needs for general expenditures within one year	\$ 851,918	\$ 1,627,275

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

Note 18 – Subsequent events

Subsequent events have been evaluated through January 30, 2023, the date in which the financial statements were available to be issued. On November 11, 2022, the Company signed a new service agreement with its Artistic Director. Based on the new terms, the agreement terminates on March 2023.

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Note 19 – Accounting pronouncements - adopted

Effective July 1, 2021, the Company adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. The Company has implemented FASB ASU 2020-07 retrospectively to all periods presented. The implementation had no impact on the previously recorded net assets.