

**MARIN THEATRE COMPANY**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2011**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors of  
Marin Theatre Company  
Mill Valley, California:

We have audited the accompanying statement of financial position of Marin Theatre Company, a non-profit corporation, as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated December 13, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

November 14, 2011

**MARIN THEATRE COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**  
(Summarized totals for 2010)

**ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>Current Assets:</b>					
Cash	\$ 190,744			\$ 190,744	\$ 372,882
Receivables:					
Grants and contributions	37,106	\$ 70,044		107,150	407,665
Other	25,700			25,700	24,234
Prepaid expenses, principally related to future performances	104,018			104,018	73,713
<b>Total current assets</b>	<u>357,568</u>	<u>70,044</u>		<u>427,612</u>	<u>878,494</u>
<b>Property and Equipment - net of accumulated depreciation</b>	2,047,648			2,047,648	1,919,180
<b>Endowment Investments - at fair value</b>			\$ 211,596	211,596	179,401
<b>Grant Receivable - due after one year</b>		148,060		148,060	40,000
<b>Board Designated Reserves</b>	495,777			495,777	
<b>Deposits</b>	31,122			31,122	28,318
<b>Total Assets</b>	<u>\$ 2,932,115</u>	<u>\$ 218,104</u>	<u>\$ 211,596</u>	<u>\$ 3,361,815</u>	<u>\$ 3,045,393</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 131,231			\$ 131,231	\$ 83,684
Deferred revenues	528,493			528,493	514,623
<b>Total current liabilities</b>	659,724			659,724	598,307
<b>Interfund payable (receivables)</b>	209,205	\$ (95,100)	\$ (114,105)		
<b>Long-term Debt</b>					
Interfund notes payable (receivable)	279,416		(279,416)		
<b>Total liabilities</b>	<u>1,148,345</u>	<u>(95,100)</u>	<u>(393,521)</u>	<u>659,724</u>	<u>598,307</u>
<b>Net Assets:</b>					
Board -designated	495,777			495,777	
Undesignated	1,287,993	313,204	605,117	2,206,314	2,447,086
<b>Total net assets</b>	<u>1,783,770</u>	<u>313,204</u>	<u>605,117</u>	<u>2,702,091</u>	<u>2,447,086</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,932,115</u>	<u>\$ 218,104</u>	<u>\$ 211,596</u>	<u>\$ 3,361,815</u>	<u>\$ 3,045,393</u>

See accompanying notes to financial statements.

**MARIN THEATRE COMPANY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(Summarized totals for the year ended June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>Revenues from Operations:</b>					
Subscription sales	\$ 397,714			\$ 397,714	\$ 346,743
Single ticket sales	374,781			374,781	430,844
Tuition income	121,917			121,917	108,782
Ticket and order fees	76,526			76,526	76,654
Program ad sales	32,810			32,810	24,705
Rental income	45,857			45,857	45,056
Concessions income - net	17,765			17,765	16,964
Interest and dividend income	6,280			6,280	2,152
Other income	20,289			20,289	23,178
Realized and unrealized gains relating to securities	30,365			30,365	11,885
Total revenues from operations	<u>1,124,304</u>			<u>1,124,304</u>	<u>1,086,963</u>
<b>Development Revenue:</b>					
Contributions from:					
Board members	416,108	\$ 557,550		973,658	456,458
Other individuals	191,184	282,000		473,184	336,792
Foundations	56,148	52,500		108,648	341,586
Government		6,051		6,051	61,700
Corporate	2,375	14,000		16,375	23,619
Donated services and materials	296,916			296,916	236,615
Special events - net of cost:					
2011, \$81,903; 2010, \$52,970	38,025			38,025	19,708
Subtotal	1,000,756	912,101		1,912,857	1,476,478
Net assets released from restrictions	913,911	(913,911)			
Total development revenues	<u>1,914,667</u>	<u>(1,810)</u>		<u>1,912,857</u>	<u>1,476,478</u>
Total revenues	<u>3,038,971</u>	<u>(1,810)</u>		<u>3,037,161</u>	<u>2,563,441</u>
<b>Expenses:</b>					
Program Services:					
Theatrical productions	2,046,710			2,046,710	1,725,740
Theatre education	203,999			203,999	188,627
Total program services	<u>2,250,709</u>			<u>2,250,709</u>	<u>1,914,367</u>
Support Services:					
General and administrative	270,587			270,587	296,707
Development	260,860			260,860	197,225
Total support services	<u>531,447</u>			<u>531,447</u>	<u>493,932</u>
Total expenses	<u>2,782,156</u>			<u>2,782,156</u>	<u>2,408,299</u>
Change in Net Assets	256,815	(1,810)		255,005	155,142
Net Assets at Beginning of Year	<u>1,526,955</u>	<u>315,014</u>	<u>\$ 605,117</u>	<u>2,447,086</u>	<u>2,291,944</u>
Net Assets at End of Year	<u>\$ 1,783,770</u>	<u>\$ 313,204</u>	<u>\$ 605,117</u>	<u>\$ 2,702,091</u>	<u>\$ 2,447,086</u>

See accompanying notes to financial statements.

MARIN THEATRE COMPANY

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

(Summarized totals for the year ended June 30, 2010)

Programming

	<u>Theatre</u>	<u>Education</u>	<u>Total</u>	<u>Support</u>	<u>Development</u>	<u>2011 Total</u>	<u>2010 Total</u>
Artistic salaries and fees	\$ 644,997	\$ 132,369	\$ 777,366		\$	\$ 777,366	\$ 619,549
Administrative salaries and fees	129,160	8,524	137,684	\$ 188,003	\$ 183,270	508,957	469,801
Production salaries and fees	351,780	20,668	372,448			372,448	350,753
Marketing	315,239	5,354	320,593		50,478	371,071	312,175
Production costs	185,112	4,117	189,229			189,229	107,987
Marketing salaries and fees	161,050	11,859	172,909			172,909	190,756
Depreciation	73,863	6,331	80,194	13,717	11,607	105,518	104,052
Facility maintenance and utilities	68,550	11,039	79,589	11,587	10,690	101,866	96,329
Other	42,849	2,883	45,732	3,806	2,607	52,145	41,524
Professional fees				39,400		39,400	40,500
Bank charges and property tax	32,729		32,729	3,636		36,365	28,519
Supplies	26,548	855	27,403	7,451	2,208	37,062	27,740
Insurance	14,833		14,833	1,648		16,481	14,621
Interest				1,339		1,339	3,993
Total	<u>\$ 2,046,710</u>	<u>\$ 203,999</u>	<u>\$ 2,250,709</u>	<u>\$ 270,587</u>	<u>\$ 260,860</u>	<u>\$ 2,782,156</u>	<u>\$ 2,408,299</u>

See accompanying notes to financial statements.

**MARIN THEATRE COMPANY**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Operations:</b>		
Change in net assets	\$ 255,005	\$ 155,142
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	105,518	104,052
Unrealized gain on securities	(30,934)	(11,757)
Donated equipment	(23,586)	(24,510)
Donated goods and services	(273,330)	(212,105)
Donated goods and services used in operations	273,330	212,105
Dividends and interest earned (net of fees) in Endowment Fund	(485)	(1,106)
Realized gains on securities in Endowment Fund	(776)	(128)
Loss on disposal of assets		3,499
Changes in assets and liabilities:		
Decrease (increase) in receivables, prepaid expenses and other current assets	268,744	(7,175)
Increase in grants due after one year	(108,060)	(1,939)
Increase (decrease) in accounts payable and accrued expenses	47,547	(60,188)
Increase in deferred revenue	13,870	69,533
<b>Cash provided by operations</b>	<u>526,843</u>	<u>225,423</u>
<b>Investing Activities:</b>		
Additions to property and equipment	(210,400)	(5,208)
Additions to actors' equity reserve deposit	(2,804)	4,202
Establishment of board designated reserve - net	(495,777)	
<b>Cash used for investing activities</b>	<u>(708,981)</u>	<u>(1,006)</u>
<b>Financing Activities:</b>		
Repayment of Marin Community Foundation loan		(61,559)
<b>Cash used for financing activities</b>		<u>(61,559)</u>
<b>Increase (Decrease) in Cash</b>	(182,138)	162,858
<b>Cash - Beginning of Year</b>	<u>372,882</u>	<u>210,024</u>
<b>Cash - End of Year</b>	<u>\$ 190,744</u>	<u>\$ 372,882</u>

See accompanying notes to financial statements.

## MARIN THEATRE COMPANY

### NOTES TO FINANCIAL STATEMENTS

#### 1. THE COMPANY

The Marin Theatre Company (The Company) is a nonprofit corporation which was organized in 1968 as the Mill Valley Center for the Performing Arts. In 1984 the organization was reincorporated as a professional theater company, the name was changed to the Marin Theatre Company and a contract agreement was entered into with Actors' Equity Association (AEA). Also in 1984 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.

Marin Theatre Company is a professional, regional theatre 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 at least one world premiere each season, 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.

Subsequent events have been evaluated through November 14, 2011, the date in which the financial statements were available to be issued.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared using the accrual method of accounting. Significant accounting policies are described below to enhance the usefulness of the financial statements to the readers. Certain amounts in the 2010 financial statements have been reclassified to compare with the current year presentation.

**Revenue and expense recognition** - Season subscriptions, single ticket payments received in advance of performances and school revenue received in advance of the school sessions are deferred and recognized as revenue at the time the applicable performance is given or the school session concludes. Expenditures relating to the subscription campaign 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, in which case they are recorded as prepaid expenses and charged to expense in the applicable 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.

## MARIN THEATRE COMPANY

### NOTES TO FINANCIAL STATEMENTS

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Support recognition, continued** - 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 the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Theatre has been awarded \$58,750 of grants for which the condition has not been met as of June 30, 2011.

**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.

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

**Allowance for doubtful accounts** - An allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance. Management primarily determines the allowance based on the aging of accounts receivable balances. No allowance was deemed necessary at June 30, 2011 and 2010.

**Property and equipment** - Property and equipment acquisitions costing more than \$1,000 and with useful life of five years or greater are capitalized, stated at cost and depreciated using the straight line method over the estimated economic lives of the assets (building 10 to 40 years, equipment 5 to 20 years).

**Tax-Exempt Status** - The Theatre is exempt from the federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. In addition the Theatre has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded. The Theatre generates unrelated business income from advertising; however allocable expenses exceed income and therefore no income taxes are payable. The Organization's informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed.

**MARIN THEATRE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of estimates** – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. 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.

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

**3. GRANTS RECEIVABLE**

The Company received an installment contribution in 2011. Payments of \$50,000 are expected during the years ending June 30, 2013, 2014 and 2015. For financial statement purposes, grants receivable over multiple years have been discounted at what was considered risk-free rates of return (.608%) to reflect their present value at their date of origin.

**4. PROPERTY AND EQUIPMENT**

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

	<b><u>2011</u></b>	<b><u>2010</u></b>
Land	\$ 870,568	\$ 870,568
Building and improvements	2,393,891	2,374,475
Production equipment and theater furnishings	251,717	116,841
Office equipment	142,798	63,104
Vehicles	7,000	7,000
Total	<u>3,665,974</u>	<u>3,431,988</u>
Less accumulated depreciation	<u>1,618,326</u>	<u>1,512,808</u>
Net Property	<u>\$ 2,047,648</u>	<u>\$ 1,919,180</u>

**5. ENDOWMENT FUND INVESTMENTS**

The Company's Endowment Fund was started in October, 1993 with a \$510,125 contribution from a Board member. Dividend and interest income from the fund is available to support operations and is reflected as unrestricted revenue in the Statement of Activities. In April, 1998 donors to the endowment fund specifically permitted the fund to transfer realized and unrealized gains as well as investment income.

## MARIN THEATRE COMPANY

### NOTES TO FINANCIAL STATEMENTS

#### **5. ENDOWMENT FUND INVESTMENTS (continued)**

In January, 2001 a scholarship fund was initiated. Donations to the fund are permanently restricted: investment income generated by the fund is used to provide tuition assistance to qualified students of the Company's conservatory. Contributions to the fund which aggregated \$28,386 have been included with endowment investments.

Amounts transferred from the endowment fund are based on a predetermined formula. The fund sustained substantial losses during 2003 and, as a result, the accumulated amounts transferred from the endowment fund exceeded the aggregate income and capital gains earned by the fund. Consequently, effective June 30, 2003 the Company discontinued making distributions from the endowment fund. At June 30, 2011 the remaining deficiency is approximately \$114,000. The investments represent the only permanently restricted assets of the Company.

To cover working capital needs, between 1999 and 2003 the Company borrowed \$275,167 without interest and \$100,000 at various interest rates from the endowment fund. The Company has repaid \$120,000 of the amount advanced, extinguishing all interest-bearing obligations. Accrued interest and outstanding indebtedness of \$24,249 and \$255,167 exist at June 30, 2011 and 2010. The borrowings are evidenced by notes which are due on demand. Borrowing from the endowment fund was approved by the Board of Directors.

In January, 2009 the State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which establishes standards relating to the management of endowment and quasi endowment funds by nonprofit organizations. Reclassification of net assets was required to comply with the new law.

#### **Interpretation of Relevant Law**

The Board of the Company has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Company and the donor-restricted endowment fund

## MARIN THEATRE COMPANY

### NOTES TO FINANCIAL STATEMENTS

#### **5. ENDOWMENT FUND INVESTMENTS (continued)**

- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Company
- (7) The investment policies of the Company.

#### **Return Objectives and Risk Parameters**

The Company has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Company must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of Investment risk. The Company expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

#### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Company targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Company has a policy of appropriating for distribution each year a blended rate equal to 30% of 5 percent of its endowment fund's market value plus 70 percent of the previous year's spending. The appropriation requires approval of the board each year. In establishing this policy, the Company considered the long-term expected return on its endowment. Accordingly, over the long term, the Company expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Company's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. So long as the fair value of the assets of the endowment fund is below the amount required to remain in the fund, no funds have been or will be appropriated or distributed from the fund.

**MARIN THEATRE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**5. ENDOWMENT FUND INVESTMENTS (continued)**

Endowment Fund investments, other than noted above, are composed of the following, all of which are reported at quoted market prices at June 30:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 71,406	\$ 71,406	\$ 70,145	\$ 70,145
Equity securities	155,798	140,190	155,798	109,256
Total	<u>\$ 227,204</u>	<u>\$ 211,596</u>	<u>\$ 225,943</u>	<u>\$ 179,401</u>

Investment return for the year ended June 30 as follows:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 485	\$ 1,106
Realized gains	776	128
Unrealized gains	30,934	11,757
Total	<u>\$ 32,195</u>	<u>\$ 12,991</u>

**6. BOARD DESIGNATED RESERVES**

The Company's Board established an Artistic and Operating Reserve Fund during the year ended June 30, 2011 with initial donor contributions of \$500,000. The objective of the Artistic and Operating Reserve Fund is to provide financial stability and to allow the Company to take artistic risks. The Company hopes to grow the fund to 25% of annual operating expenses. Withdrawals must be approved by the Finance Committee of the Board of Directors. During the year ended June 30, 2011, \$60,673 of the Artistic and Operating Reserve Fund was approved to be used for software and website upgrades.

Donor contributions of \$50,275 were received in 2009 to establish the Poutiatine Fund for Leadership. During the year ended June 30, 2011, the fund was formally established. This fund is intended to provide the Board the ability to acquire, retain and reward employees in leadership positions. In the year that ended June 30, 2011, the Company changed the classification of this fund to Board designated.

The combined reserves earned \$6,175 during the year ended June 30, 2011.

**7. DEPOSITS**

Deposits include interest bearing certificates of deposit totaling approximately \$26,900 which is in the name of Actors' Equity Association. The certificate of deposit insures that the Company will meet current wage and benefit obligations to AEA members.

**MARIN THEATRE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**8. LINE OF CREDIT**

The Company has a \$150,000 line of credit with its commercial bank which matures on March 31, 2012. Funds borrowed bear interest at the prime plus 1.25% with a floor of 4.5% and are collateralized by all assets other than real property. The Company has agreed not to sell or otherwise further encumber the Theatre's real property. During the year ended June 30, 2011 the Company's usage of the line aggregated \$400,000. All credit line advances were repaid and there was no outstanding balance at June 30, 2011. Interest incurred in connection with borrowings during the year ended June 30, 2011 and 2010 was \$1,339 and \$2,324, respectively.

**9. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available at June 30 for the following purposes:

	<u>2011</u>	<u>2010</u>
Scene shop	\$ 198,061	
Fund a Need	51,396	\$ 92,075
Play development	40,000	78,061
Education outreach	9,452	28,698
Scholarship support	7,276	16,180
ADA improvement	7,019	40,000
Support general operations		60,000
Total restricted net assets	<u>\$ 313,204</u>	<u>\$ 315,014</u>

**10. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donors' restrictions by incurring expenses satisfying the restricted purposes specified by the donors during the year ended June 30, as follows:

	<u>2011</u>	<u>2010</u>
Establishment of board designated funds	\$ 550,275	
Fund a Need	57,854	\$ 1,620
Support general operations	60,800	90,000
Play development	54,000	48,750
Education outreach	52,672	29,200
Scene shop	50,000	
Audience development	40,000	20,000
Boyer and Lieberman programs	28,000	47,300
Support scholarship	10,529	15,400
ADA improvement	9,781	
Development compensation		50,000
New werks program		38,000
Releases from restrictions	<u>\$ 913,911</u>	<u>\$ 340,270</u>

## MARIN THEATRE COMPANY

### NOTES TO FINANCIAL STATEMENTS

#### 11. RENTAL INCOME

In December 1999 the Company entered into a PCS site agreement with Sprint Spectrum L.P., a Delaware limited partnership (SSLP) to rent space on the roof to place antennas and a base station. The lease term is five (5) years starting August, 2000 and is automatically renewable for additional four 5-years terms. The Company earned \$19,584 and \$17,952 in the years ended June 30, 2011 and 2010, respectively. Rental income increases by twenty percent in each renewal term.

In March 2008 the Company entered into a similar agreement to rent space on the roof to MetroPCS California, LLC, a Delaware limited liability company. The lease term is five (5) years starting in April, 2008 and is automatically renewable for four additional 5 year terms. The Company earned \$25,593 and \$24,909 during the years ended June 30, 2011 and 2010, respectively. Rental income increases by three percent annually.

#### 12. DONATED MATERIALS AND SERVICE

During the years ended June 30 the Company was provided with:

	<u>2011</u>	<u>2010</u>
Marketing/advertising	\$ 115,984	\$ 105,025
Transportation/housing	67,345	33,964
Fundraising materials	45,000	
Trade ads	25,700	24,705
Office equipment	23,586	24,510
Special events development	16,585	13,159
Professional services	1,800	4,363
Other	916	10,804
Concessions		18,580
Total	<u>\$ 296,916</u>	<u>\$ 235,110</u>

#### 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 during the year ended June 30, 2011 and 2010.

## MARIN THEATRE COMPANY

### NOTES TO FINANCIAL STATEMENTS

#### 14. LEASE COMMITMENTS

Effective January 1, 2011, the Company entered into a 5-year lease for industrial space to house their scene shop. Rent expenses aggregated \$19,800 for the six months ended June 30, 2011. Annual obligations in connection with the lease are as follows:

2012	\$	40,194
2013		41,400
2014		42,642
2015		43,920
2016		22,284
Total	\$	<u>190,440</u>

The Company leases certain office equipment under non-cancelable operating leases. Annual obligations in connection with these leases are as follows:

2012	\$	12,402
2013		11,533
2014		7,188
2015		5,391
Total	\$	<u>36,514</u>

#### 15. OTHER RISKS

The following conditions constitute risks potentially affecting operations of the Company.

**Donor Conditions** - Grants may require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors.

**Funding** - The Company receives a substantial amount of its support from contributions and grants; a significant reduction in the level of this support, if it were to occur, would have an adverse effect on the Company's ability to carry out its activities. A generous donor and a related controlled foundation have made contributions that aggregate between fifteen and thirty percent of total revenue and constitute approximately thirty-five percent of contributions receivable for the year ended June 30, 2010.

**Collective Bargaining** - The Company is a member of the League of Resident Theatres, LORT. As a member of the LORT the Company is required to comply with the agreement between LORT and Actors' Equity Association which requires contributions to health and retirement plans for all employees covered by the contract as well as increases in compensation based on the Company's tier, which is the weekly actual box office receipts average over the three most recently completed calendar years.

MARIN THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

**15. OTHER RISKS (continued)**

The Company entered into an agreement with United Scenic Artists in April 2007 with an expiration date in March 2011. The Company is negotiating an extension of the agreement through June 30, 2012. The agreement required a minimum percentage of design positions to be filled by members of United Scenic Artists. The agreement required contributions for pension and welfare benefits. The extension has similar provisions.

**Agreement** - The Company executed services agreements with the artistic director and producing director that extends through September 2012.