Marin Shakespeare Company

Financial Statements

As of and for the year ended

October 31, 2015

with

Independent Auditors' Report

WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT LLP

CERTIFIED PUBLIC
ACCOUNTANTS

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

Independent Auditors' Report

Board of Directors
Marin Shakespeare Company
San Rafael, CA

We have audited the accompanying financial statements of Marin Shakespeare Company (a nonprofit organization), which comprise the statement of financial position as of October 31, 2015, 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 of America; 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Shakespeare Company as of October 31, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Marin Shakespeare Company's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wilson Markle Stuckey Hardesty & Bott LLP

Wilson Markle Stuckey Hardesty & Bott, LLP
Larkspur, CA
December 29, 2015

Marin Shakespeare Company

Statements of Financial Position
As of October 31, 2015

	2015	2014
Current assets		
Cash and cash equivalents	$ 62,373	$ 2,260
Investment	-	103,436
Grants receivable	-	4,086
Accounts receivable	13,480	8,000
Refunds receivable	-	1,680
Prepaid expenses	9,166	11,375
Total current assets	85,019	130,837
Property and equipment, at cost		
Vehicles	75,035	75,035
Administrative equipment	9,103	8,314
Program equipment	61,448	62,291
Accumulated depreciation	(116,437)	(123,807)
Software	38,625	-
Accumulated amortization	(7,725)	-
Net property and equipment	60,049	21,833
Other assets		
Deposits	15,685	25,877
Future fund at Marin Community Foundation	1,129,070	1,103,794
Leasehold improvement planning	30,064	30,064
Total other assets	1,174,819	1,159,735
Total assets	$ 1,319,887	$ 1,312,405
Liabilities		
Accounts payable and accrued liabilities	$ 8,321	$ -
Total liabilities	8,321	-
Net assets		
Unrestricted	1,272,733	1,278,988
Temporarily restricted	38,833	33,417
Total net assets	1,311,566	1,312,405
Total liabilities and net assets	$ 1,319,887	$ 1,312,405

See accompanying notes.

Marin Shakespeare Company

Statements of Activities and Changes in Net Assets
For the year ended October 31, 2015 with
Comparative totals only for the year ended October 31, 2014

	Unrestricted	Temporarily restricted	Totals 2015	Totals only 2014
Support and revenue				
Donations	$ 165,260	-	$ 165,260	$ 1,138,988
Foundation grants	75,452	62,000	137,452	118,565
Grants and contracts	80,436	-	80,436	56,885
Promotional events, net	43,749	-	43,749	37,626
In-kind contributions	106,000	-	106,000	101,000
Program income, net	201,317	-	201,317	171,579
Tuition	73,801	-	73,801	74,904
Investment income, net	(4,653)	-	(4,653)	68,347
Other income	10,333	-	10,333	6,937
Net assets released from restrictions	56,584	(56,584)	-	-
Total support and revenue	808,279	5,416	813,695	1,774,831
Expenses				
Program services	663,576	-	663,576	620,433
Management and general	88,302	-	88,302	96,530
Fundraising and development	62,655	-	62,655	57,486
Total expenses	814,534	-	814,534	774,449
Change in net assets	(6,255)	5,416	(839)	1,000,382
Net assets, beginning of year	1,278,988	33,417	1,312,405	312,023
Net assets, end of year	$ 1,272,733	$ 38,833	$ 1,311,566	$ 1,312,405

See accompanying notes.

Marin Shakespeare Company

Statements of Functional Expenses
For the year ended October 31, 2015 with
Comparative totals only for the year ended October 31, 2014

	Program services	Management and general	Fundraising and development	Total 2015	Totals only 2014
Salaries and wages	$ 256,054	$ 29,873	$ 47,465	$ 333,391	$ 290,021
Employee benefits	49,900	13,679	6,707	70,287	90,887
Payroll taxes	24,346	5,670	3,335	33,351	31,007
Contractors fees	82,028	4,800	650	87,478	88,770
Donated facilities and services	70,500	-	-	70,500	65,500
Marketing and advertising	37,498	174	2,424	40,096	51,230
Performance expenses	37,763	-	-	37,763	37,459
Donated products and supplies	33,500	1,000	1,000	35,500	35,500
Occupancy - rent	26,692	5,000	-	31,692	30,637
Depreciation and amortization	10,485	4,317	500	15,302	3,291
Postage and shipping	13,691	750	250	14,691	16,950
Bank service charges	-	7,598	-	7,598	4,667
Meals and entertainment	5,000	1,711	-	6,711	7,560
Supplies	132	6,254	-	6,386	7,230
Insurance	2,626	1,992	-	4,618	4,244
Telephone	2,718	775	325	3,818	3,264
Fees and licenses	3,783	-	-	3,783	1,982
Education and seminars	-	3,465	-	3,465	3,056
Dues and subscriptions	-	1,244	-	1,244	1,193
Royalties	6,860	-	-	6,860	-
Total expenses	$ 663,576	$ 88,302	$ 62,655	$ 814,534	$ 774,449

See accompanying notes.

Marin Shakespeare Company
Statements of Cash Flows
For the year ended October 31

	2015	2014
Cash flows from operating activities		
Change in net assets	$ (839)	$ 1,000,382
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	15,302	3,291
Contributions of securities	-	(936,585)
Loss on retirement of assets	3,852	-
Changes in operating assets and liabilities		
Grants receivable	4,086	(3,086)
Accounts receivable	(5,480)	4,213
Refunds receivable	1,680	(1,680)
Prepaid expenses	2,209	(2,809)
Deposits	10,192	(3,709)
Accounts payable and accrued liabilities	8,321	(5,868)
Cash provided by operating activities	39,323	54,149
Cash provided by investing activities		
Purchases of property and equipment	(18,746)	(21,230)
Purchase of software	(38,625)	-
Proceeds from sale of securities	-	982,797
Gains reinvested	-	(46,209)
Proceeds from investment	103,436	(253)
Cash provided by investing activities	46,065	915,105
Cash used by financing activities		
Increase in Future fund at MCF	(25,276)	(1,103,794)
Cash used by financing activities	(25,276)	(1,103,794)
Net change in cash and cash equivalents	60,112	(134,540)
Cash and cash equivalents, beginning of year	2,260	136,801
Cash and cash equivalents, end of year	$ 62,373	$ 2,260

Non-cash transaction: Property and equipment with an original cost of $18,799 was retired off the books.

Marin Shakespeare Company
Notes to the Financial Statements
October 31, 2015

Note 1 – Description of organization

The mission of the Marin Shakespeare Company (MSC) is to achieve excellence in the staging and study of Shakespearean plays, to celebrate Shakespeare, and to serve as a cultural and educational resource for the people of Marin County, the San Francisco Bay area and beyond.

MSC presents a three-play summer main stage season at the Forest Meadows Amphitheatre on the campus of Dominican University in San Rafael. Classes in acting and other theatre skills are offered to students ages five to adult year-round. Classes include Shakespeare's Stories for five to seven year olds, the Young Company for eight to twelve year olds, the Teen Touring Company, which provides free performances of a Shakespeare play at schools and senior centers, various summer performance programs for teenagers, and the summer professional actor training Intern Program. MSC provides performing arts education in public and private schools, and correctional facilities and typically presents various special events throughout the year.

Note 2 – Summary of significant accounting policies

Basis of accounting
The accompanying financial statements are prepared on the accrual basis of accounting.

Cash and cash equivalents
MSC considers all highly liquid debt instruments including time deposits and certificates of deposit with original maturities of three months or less to be cash equivalents.

Risks and concentrations
Financial instruments that potentially subject MSC to credit risk consist principally of cash on deposit and the Future Fund. MSC maintains its cash balances at three major financial institutions. The balances at times may exceed federally insured limits. MSC maintains the Future Fund at a community foundation. Management believes that MSC is not exposed to any significant credit risk with respect to these accounts.

Long term 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.

Note 2 – Summary of significant accounting policies (continued)

Risks and concentrations (continued)
No significant concentrations of support and revenue occurred during the year ended October 31, 2015. During the year ended October 31, 2014, contributions received from one donor totaled approximately 60% of total support and revenue.

Fair value measurements
MSC uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority.

MSC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, MSC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. MSC only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

MSC values all contributions at fair value when promised.

Property and equipment
Property and equipment are carried at cost, less related accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Purchases of property and equipment costing over $1,000 are capitalized. Depreciation expense was $15,302 and $3,291 for the years ended October 31, 2015 and 2014, respectively.

Net assets
MSC records support from grants and contributions as unrestricted, temporarily restricted, or permanently restricted net assets, depending on donor or payer imposed restrictions. MSC reports restricted support as restricted revenue and as an increase in temporarily restricted net assets. When a restriction expires based on a stipulated time or accomplishment, MSC reclassifies temporarily restricted net assets as unrestricted net assets and reports it as net assets released from restrictions. MSC did not hold permanently restricted net assets at any time during the years ended October 31, 2015 and 2014.

Note 2 – Summary of significant accounting policies (continued)

Revenue recognition
Unconditional promises to give cash and other assets are recognized at fair value in the period the promise is made. MSC records revenues when earned and expenses when the related obligations are incurred. A significant portion of annual revenue is earned during the performance season through ticket sales. During the fiscal year ended October 31, 2015 and 2014, MSC presented three plays during the summer season. MSC also receives income in the form of tuition for its standards-based in-school and summer programs.

In-kind donations
Donations of products, production services and facilities that would otherwise be paid for by MSC are included as a contribution to program income and are deducted as program expenses based on the estimated fair market value of the donations. These contributions are valued using Level 2 technique; the fair value is based upon what the donor would charge for the product or service if it was sold in an arm's length transaction. For the years ended October 31, 2015, such donations totaled $106,000 ($101,000 in 2014).

Advertising costs
Costs incurred for producing and communicating advertising are expensed when incurred. Such costs totaled $13,086 in 2015, ($16,481 in 2014).

Functional expenses
Expenses have been charged to program or supporting service classifications based on direct expenditures incurred. Any expenditure not directly chargeable is allocated among program or service classifications based on related usage.

Income taxes
MSC has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California bank and corporation taxes under Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision for federal or California income tax is reflected in the financial statements.

MSC has been classified as a publicly supported organization as described in Section 509(a)(1) of the Internal Revenue Code. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law.

Note 2 – Summary of significant accounting policies (continued)

Income taxes (continued)
MSC files informational tax returns in the United States federal jurisdiction and the state of California. The organization's federal informational tax returns for tax years 2011 and beyond remain subject to examination by the Internal Revenue Service. The organization's California informational tax returns for tax years 2010 and beyond remain subject to examination by state tax authorities. MSC expects no change to its tax provision during the year ending October 31, 2016.

Subsequent events
Management of MSC evaluated subsequent events for recognition and disclosure through December 29, 2015, the date which these financial statements were available to be issued. The organization is actively engaged in the purchase of real estate in the city of San Rafael. The organization hopes to move its office and storage to a location outside of the director's home; an offer has been made on commercial property that is centrally located in the downtown area.

Use of estimates
MSC prepares its financial statements in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures herein. Actual results could differ from those estimated.

Reclassification
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 financial statements for the year ended October 31, 2014, from which MSC derived the summarized information.

Note 3 – Investment

The organization had funds on deposit with a local bank in a time certificate. The maturity date was 4/30/15, with fixed interest at 0.245% paid monthly. These funds were deposited with the Future Fund at Marin Community Foundation (Note 4) at maturity.

Note 4 – Future Fund at Marin Community Foundation

The Future Fund consists entirely of units of a pooled investment fund (PIF) of a community foundation. MSC records the PIF at its contract value. Contract value represents the amount MSC would realize upon sale, transfer, exchange or liquidation of the investment when transacted with the investment custodian. Contract value of the units of the PIF is the MSC share of the fair value of the underlying investments, determined by the community foundation, net of certain custodial and administrative fees.

MSC records interest, dividends, gains, losses and changes in contract value (unrealized appreciation and depreciation), net of custodial and administrative fees, as net investment income.

The PIF of the community foundation is subject to variance power under a Fund Agreement dated April 4, 2014. The Board of Trustees of The Marin Community Foundation shall have the power to modify any restriction or the condition on the distribution of funds for any specified charitable purposes or to a specific organization, if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by the Foundation.

As of October 31, 2015, Future Fund totaled as follows:

Contract value	
PIFs	$1,129,070

The community foundation that holds the PIF invests the funds of MSC in its "Expendable Pool." The Expendable Pool policy index consists of the Enhanced Cash (60%), Equity (30%), and Fixed Income (10%).

Note 5 – Net investment income

During the year ended October 31, 2015, net investment income from all sources totaled as follows:

Dividends and interest	$ 16,082
Unrealized depreciation on investments carried at other than fair value	(11,926)
Investment management and administrative fees	(8,809)
Net investment income	$ (4,653)

Note 6 – Endowment funds

MSC follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds" and the related state of California version of the UPMIFA (CA-UPMIFA).

Endowment funds subject to FASB ASC 958-205 include all the endowment funds described below. As of October 31, 2015, no endowment funds are subject to the CA-UPMIFA.

The endowment funds of MSC consist of one individual fund held by a community foundation. The endowment funds of MSC include only funds designated by the Board of Directors to function as endowments. As required by US-GAAP, MSC classifies and records net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, based on the existence or absence of donor-imposed restrictions.

The Board of Directors of MSC has interpreted the CA-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. Because of this interpretation, MSC classifies as permanently restricted net assets the original value of gifts contributed to the permanent endowment, the original value of subsequent gifts to the permanent endowment and 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 MSC does not classify as permanently restricted net assets MSC classifies as temporarily restricted net assets until the Board of Directors of MSC appropriates those amounts for expenditure by MSC in a manner consistent with the standard of prudence prescribed by CA-UPMIFA. In accordance with CA-UPMIFA, MSC considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds and incorporating the limitation under California state law of appropriations to seven percent of the fair value of the endowment funds

As of October 31, 2015, endowment funds totaled as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Board designated	$ 1,129,070	$ –	$ –	$1,129,070

Note 6 – Endowment funds (continued)

During the year ended October 31 2015, endowment funds reconciled as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Beginning of year	$ 1,103,794	$ –	$ –	$ 1,103,794
Board designations	103,070	–	–	103,070
Dividends and interest	15,907	–	–	15,907
Realized gain	–	–	–	–
Unrealized depreciation	(11,926)	–	–	(11,926)
Authorized expenditures	(75,000)	–	–	
Investment management and administrative fees	(6,775)	–	–	(6,775)
End of year	$ 1,129,070	$ –	$ –	$ 1,129,070

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or CA-UPMIFA requires MSC to retain as a fund of perpetual duration. In accordance with US-GAAP, MSC records deficiencies of this nature in unrestricted net assets. Deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for programs that the Board of Directors deems prudent. There were no such deficiencies as of October 31, 2015.

MSC 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 MSC must hold in perpetuity or for donor-specified periods as well as board-designated funds.

The investment policy of MSC provides for diversification, preservation of capital and risk aversion. The long-term financial goal for MSC investments is to provide a relatively stable stream of spendable revenue that increases over time at least as fast as the general rate of inflation, as measured by the Consumer Price Index. The long-term investment objective for MSC investments is to maximize long-term real (i.e., after inflation) total returns (i.e., yield plus capital appreciation) while moderating fundamental investment risks.

Note 6 – Endowment funds (continued)

In addition, the endowment assets held by the community foundation are subject to the investment policy of the community foundation.

The spending policy of MSC incorporates CA-UPMIFA and consists of a spending rate, approved by the board of directors annually, to the average fair value of endowment assets over the past three years. The spending rate should provide, to the extent practical, a steady stream of income from year to year, consistent with the need to preserve the endowment fund and taking into account the factors incorporated in CA-UPMIFA.

In addition, the endowment assets held by the community foundation are subject to the "Spending Rule" of the community foundation.

Unrestricted (board designated) endowment funds are subject to redesignation at any time, including redesignation as other than endowment funds.

Note 7 – Leasehold improvement planning

In 2008, MSC retained an architect to draft a conceptual plan for the renovation of its Dominican University venue in coordination with the plans for the construction of an adjacent athletic facility. This project has not yet been funded by the University. MSC is still in negotiations with Dominican University regarding the renovation of this site and the signing of a long term lease for this performance space (see Note 9). Until the renovation occurs or not, funds expended toward this construction will be capitalized and considered an investment, which is not subject to amortization.

Note 8 – Temporarily restricted net assets

As of October 31, 2015 the balance consists of the following:

	October 31 2014	2014 Additions	2014 Releases	October 31 2015
Program Restrictions				
Education Programs	33,417	62,000	(56,584)	38,833
Total temporarily restricted net assets	$ 33,417	$ 62,000	$ (56,584)	$ 38,833

Note 9 – Commitments and contingencies

MSC leases the Forest Meadows Amphitheater at Dominican University of San Rafael under an annual operating lease that expires December 31, 2015 and is renewable annually. A security deposit is refunded at the end of each performance season. Other short term leased venues utilized throughout the year include Marin Art & Garden Center, Marin Ballet, The Belrose, and the Marin Tennis Club.

Occupancy expense for performances and instruction for the year ended October 31, 2015 was $26,692, (2014 - $25,637). Occupancy expense for office space for the year ended October 31, 2015 and 2014 was $5,000. The office space is located in the managing director's home. In addition, the value of donated facilities for performances and actors for the years ended October 31, 2015 was $73,500, (2014 - $50,500).

MSC is a member of the Actors' Equity Association (AEA), an association of non-profit regional theatres. AEA represents its members in both a collective bargaining and an administrative capacity. Since MSC 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 MSC believes they are in compliance with the current bond requirement of AEA. The balance held on deposit by AEA for the year ended October 31, 2015 was $24,113 (2014 - $20,192). The bond was refunded to MSC and deposited on October 31, 2015.

MSC has entered into a memorandum of understanding with Dominican University regarding its intention to establish a long term lease agreement for use of the Forest Meadows amphitheater. MSC is to conduct a capital campaign with the goal of raising $2-3 million dollars for the improvement of the amphitheater in exchange for a twenty-five year lease. Negotiations are still open and the understanding may be terminated by either party at any time.

Note 10 – The Marin Shakespeare Company Fund

MSC is the sole beneficiary of the Marin Shakespeare Company Fund, a trust established in 2000. The trustees, Marin Community Foundation, have sole discretion as to the management, investment and distribution policies of the funds' assets. Since MSC does not have direct control over the assets in the fund and has not been designated as remainder man, the Fund's assets are not included in these financial statements. The fund held assets in the amount of $99,260 as of October 31, 2015 (2014 - $99,781).

The fund contributed $0 to MSC during the year ended October 31, 2015, (2014 - $4,202).

Note 10 – The Brebner Artistic Endowment Fund

MSC is the sole beneficiary of the Brebner Artistic Endowment Fund, a trust established in 2001. The purpose of the Fund is to provide support to or for artistic excellence as defined by the Marin Shakespeare Company. The trustees, Marin Community Foundation, have sole discretion as to the management, investment and distribution of the Fund's assets.

Since MSC does not have direct control over the assets in the fund and has not been designated as remainder man, the Fund's assets are not included in these financial statements. As of October 31, 2015, the fund held assets of $150,454 (2014 - $158,358).

The Fund contributed $7,452 to MSC during the year ended October 31, 2015, (2014 - $7,135).

Note 11 – Scholarships

Through the generosity of donors, MSC is able to offer financial assistance to individuals and schools that are unable to otherwise afford the cost of the drama instruction workshops. For the year ended October 31, 2015 MSC was able to provide instruction without remuneration (scholarship funding) with a value of $201,925, (2014 - $118,740).

Note 12 - Promotional events

MSC held two main fundraising events during the year ended October 31, 2015, tours to the Ashland Oregon Shakespeare Festival and twenty fifth anniversary gala. The income derived from these special events is presented net of direct donor benefit expenses. A summary of the activity during the year is as follows:

	Ashland	Others
Income	$ 99,127	$ 13,710
Expenses	(67,336)	(1,752)
Net event income	$ 31,791	$ 11,958

Note 13 – Contributed services

The organization received donated services during the years ended October 31, 2015 with a fair market value of $14,000 (2014 - $15,000). These professional services included website design/maintenance and dry cleaning. The majority of the services were for the benefit of the programs; however a portion of the website services has been allocated to administration expenses.

December 29, 2015

To the Board of Directors
Marin Shakespeare Company

We have audited the financial statements of Marin Shakespeare Company for the year ended October 31, 2015, and have issued our report thereon dated December 29, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Marin Shakespeare Company are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended October 31, 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached list of material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2015, a copy of which is attached herein.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As discussed with the Managing Director and one of the Board Members, with the influx of significant cash and the subsequent decision to invest those funds with The Marin Community Foundation, it is our recommendation that the Board draft and execute a written investment policy to serve as guidance on the use of the funds and the acceptable level of risk associated with their investment.

This information is intended solely for the use of the Board of Directors and management of Marin Shakespeare Company and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wilson Markle Stuckey Hardesty & Batt, LLP

Wilson Markle Stuckey Hardesty & Bott, LLP

2015 ADJUSTING JOURNAL ENTRIES

Account	DR	CR
1 Inkind expenses	106,000	
Inkind contributions		106,000
To record current year in-kind contributions.		
2 Depreciation expense	7,577	
Accumulated depreciation	7,370	
Admin equipment		3,136
Program equipment		15,663
Gain/loss on sale of equipment	3,852	
To record current year expense.		
3 Interest & dividends		15,908
Unrealized loss on investments	11,926	
Investment expense	6,782	
MCF Future Fund		2,801
To adjust the Future Fund to actual per MCF summary.		
4 AEA bond		44,305
Miscellaneous income	44,305	
To remove the AEA bond from the f/s as both deposits were refunded during the current fiscal year.		
5 Software - Patron Manager	38,625	
Supplies		38,625
Amorization	7,725	
Accumulated amortization		7,725
To reclass the software as an intangible asset and record current year expense.		
6 Accounts receivable		8,000
Grants receivable		4,086
Fees for services	12,086	
To reverse the CAC receivables from prior year.		
7 Accounts Receivable	13,480	
Fees for services		13,480
To record the current year receivables. Invoices went out and cash not received before year end.		
8 Temporarily restricted net assets		5,416
Net assets	5,416	
Year end allocation per time restricted grants.		
9 Workers comp insurance		569
Payroll taxes		1,326
Diverse income	1,895	
Reclass refunds to offset expense accounts.		
10 Insurance - D & O	33	
Ashland trip	2,697	
Liablity insurance		521
Prepaid expenses		2,208
To reverse the prior year prepaid as these are current year expenses.		
	269,769	269,769