

Marin Shakespeare Company

Financial Statements

As of and for the year ended
October 31, 2013

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

Independent Auditors' Report

Board of Directors
Marin Shakespeare Company
San Rafael, CA

We have audited the accompanying statements of financial position of the Marin Shakespeare Company (a California non-profit organization) as of October 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of Marin Shakespeare Company. Our responsibility is to express an opinion on these financial statements based on our audit. Marin Shakespeare Company derived the summarized comparative information from its October 31, 2012 financial statements and in our report dated January 7, 2013; we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the Marin Shakespeare Company as of October 31, 2013 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Wilson Markle Stuckey Hardesty + Bott

Wilson Markle Stuckey Hardesty & Bott, LLP
Larkspur, CA
November 27, 2013

Marin Shakespeare Company
Statements of Financial Position
As of October 31

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 136,801	\$ 170,416
Grants receivable	1,000	-
Accounts receivable	12,213	-
Investment	-	102,572
Prepaid expenses	<u>8,566</u>	<u>12,039</u>
Total current assets	158,580	285,027
Property and equipment, at cost		
Vehicles	75,035	75,034
Administrative equipment	7,390	7,390
Program equipment	41,985	40,509
Accumulated depreciation	<u>(120,514)</u>	<u>(118,447)</u>
Net property and equipment	3,896	4,486
Other assets		
Deposits	22,168	25,163
Investment	103,183	-
Leasehold improvement planning	30,064	30,064
Training materials	15,000	15,000
Accumulated amortization	<u>(15,000)</u>	<u>(15,000)</u>
Total other assets	<u>155,415</u>	<u>55,227</u>
Total assets	<u>\$ 317,891</u>	<u>\$ 344,740</u>
Liabilities		
Accounts payable and accrued liabilities	<u>5,868</u>	<u>4,849</u>
Total liabilities	5,868	4,849
Net assets		
Unrestricted	278,606	316,891
Temporarily restricted	<u>33,417</u>	<u>23,000</u>
Total net assets	<u>312,023</u>	<u>339,891</u>
Total liabilities and net assets	<u>\$ 317,891</u>	<u>\$ 344,740</u>

See accompanying notes.

Marin Shakespeare Company
Statements of Activities and Changes in Net Assets
For the year ended October 31, 2013 with
Comparative totals only for the year ended October 31, 2012

	Unrestricted	Temporarily restricted	Totals 2013	Totals 2012
Support and revenue				
Donations	\$ 131,008		\$ 131,008	\$ 119,942
Foundation grants	51,022	52,000	103,022	106,990
Grants and contracts	20,000		20,000	8,400
Promotional events, net	25,824		25,824	18,070
In-kind contributions	101,000		101,000	101,000
Program income	150,249		150,249	195,386
Tuition	92,302		92,302	103,256
Interest	1,018		1,018	1,456
Other income	6,841		6,841	2,513
Net assets released from restrictions	41,583	(41,583)	-	-
Total support and revenue	620,847	10,417	631,264	657,013
Expenses				
Program services	568,112	-	568,112	552,801
Management and general	55,696	-	55,696	55,664
Fundraising and development	35,324	-	35,324	28,790
Total expenses	659,132	-	659,132	637,255
Change in net assets	(38,285)	10,417	(27,868)	19,758
Net assets, beginning of year	316,891	23,000	339,891	320,133
Net assets, end of year	\$ 278,606	\$ 33,417	\$ 312,023	\$ 339,891

See accompanying notes.

Marin Shakespeare Company
Statements of Functional Expenses
For the year ended October 31, 2013 with
Comparative totals only for the year ended October 31, 2012

	Program services	Management and general	Fundraising and development	Total 2013	Totals only 2012
Salaries and wages	\$ 157,374	\$ 21,667	\$ 27,020	\$ 206,061	\$ 185,050
Employee benefits	40,682	6,920	3,960	51,562	52,284
Contractors fees	130,981	5,499	-	136,480	140,723
Donated facilities and services	65,500	-	-	65,500	53,500
Marketing and advertising	39,741	900	1,297	41,938	29,313
Donated products and supplies	33,500	1,000	1,000	35,500	47,500
Program related expenses	32,215	-	-	32,215	35,233
Occupancy - rent	25,579	5,000	-	30,579	27,116
Payroll taxes	13,122	3,056	1,797	17,975	19,026
Postage and shipping	12,660	750	250	13,660	13,816
Bank service charges	4,364	51	-	4,415	5,404
Miscellaneous refunds	3,876	-	-	3,876	5,559
Telephone	2,419	775	-	3,194	3,103
Insurance	2,236	1,815	-	4,051	3,974
Meals and entertainment	1,540	1,317	-	2,857	2,900
Depreciation and amortization	1,500	566	-	2,066	4,506
Fees and licenses	823	280	-	1,103	1,123
Supplies	-	4,949	-	4,949	4,240
Education and seminars	-	200	-	200	800
Dues and subscriptions	-	951	-	951	2,085
Total expenses	\$ 568,112	\$ 55,696	\$ 35,324	\$ 659,132	\$ 637,255

See accompanying notes.

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

	2013	2012
Cash flows (to) from operating activities		
Change in net assets	\$ (27,868)	\$ 19,758
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation and amortization	2,066	4,506
Changes in:		
Grants receivable	(1,000)	-
Accounts receivable	(12,213)	-
Prepaid expenses	3,473	(3,059)
Deposits	2,995	(2,517)
Accounts payable and accrued liabilities	1,019	4,849
Cash (used) provided by operating activities	(31,528)	23,537
Cash used by investing activities		
Purchases of property and equipment	(1,476)	(2,214)
Increase in investment	(611)	(864)
Cash used by investing activities	(2,087)	(3,078)
Net change in cash and cash equivalents	(33,615)	20,459
Cash and cash equivalents, beginning of year	170,416	149,957
Cash and cash equivalents, end of year	\$ 136,801	\$ 170,416

During the year ending October 31, 2012, the organization disposed of assets that were no longer in use. The value of the items written off of the books totaled \$5,497.

See accompanying notes.

Marin Shakespeare Company
Notes to the Financial Statements
October 31, 2013

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 both public and private schools 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.

Concentration of credit risk

Financial instruments that potentially subject MSC to credit risk consist principally of cash on deposit and short term investments. MSC maintains its cash balances at three major financial institutions. Investment consists of one certificate of deposit. The balances at times may exceed federally insured limits. Management believes that MSC is not exposed to any significant credit risk with respect to these accounts.

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.

Marin Shakespeare Company
Notes to the Financial Statements
October 31, 2013

Note 2 – Summary of significant accounting policies (continued)

Property and equipment

Vehicles 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, which range from three to ten years. Purchases of property and equipment costing over \$1,000 are capitalized. Depreciation expense was \$2,066 and \$4,506 for the years ended October 31, 2013 and 2012, 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.

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, 2012 and 2013, 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 3 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, 2013 and 2012, such donations totaled \$101,000.

Advertising costs

Costs incurred for producing and communicating advertising are expensed when incurred. Such costs totaled \$12,454 in 2013, (\$2,767 in 2012).

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.

Marin Shakespeare Company
Notes to the Financial Statements
October 31, 2013

Note 2 – Summary of significant accounting policies (continued)

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.

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 2009 and beyond remain subject to examination by the Internal Revenue Service. The organization's California informational tax returns for tax years 2008 and beyond remain subject to examination by state tax authorities. MSC expects no change to its tax provision for the year ending October 31, 2013.

Subsequent events

Management of MSC evaluated subsequent events for recognition and disclosure through November 27, 2013, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since October 31, 2013 that required recognition or disclosure in these financial statements.

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, 2012, from which MSC derived the summarized information.

Note 3 – Investment

The organization has funds on deposit with a local bank in a time certificate. The maturity date is 4/30/15, with fixed interest at 0.245% paid monthly. This investment is recorded as a Level 1 asset; at cost with interest compounded.

Marin Shakespeare Company
Notes to the Financial Statements
October 31, 2013

Note 4 – 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 7). 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 5 – Training materials

In 2006, MSC acquired certain assets of Vector Theater Company, a California corporation. The assets acquired included the license to utilize the “Conservatory at the Schools Theatre” program training materials. This is a program approved by various schools for use as a dramatic arts teaching guide. In addition, MSC acquired other assets used in the program, as well as on-going school contracts. These materials have been fully amortized. Management utilizes this program in its educational activities.

Note 6 – Temporarily restricted net assets

As of October 31, 2013 the balance consists of the following:

	October 31 2012	2013 Additions	2013 Releases	October 31 2013
Marin Community Foundation	23,000	37,000	(35,333)	24,667
Fullerton Family Foundation	-	15,000	(6,250)	8,750
Total temporarily restricted net assets	<u>\$ 23,000</u>	<u>\$ 52,000</u>	<u>\$ (41,583)</u>	<u>\$ 33,417</u>

Note 7 – Commitments and contingencies

MSC leases the Forest Meadows Amphitheater at Dominican University of San Rafael under an annual operating lease that expires December 31, 2013 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 and the Marin Tennis Club.

Occupancy expense for performances and instruction for the year ended October 31, 2013 was \$25,579, (2012 - \$22,116). Occupancy expense for office space for the year ended October 31, 2013 and 2012 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, 2013 was 50,500, (2012 - \$53,500).

Marin Shakespeare Company
Notes to the Financial Statements
October 31, 2013

Note 7 – Commitments and contingencies (continued)

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, 2013 was \$20,192, (2012 - \$19,869).

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 8 – 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 remainderman, the Fund's assets are not included in these financial statements. The fund held assets in the amount of \$94,859 as of October 31, 2013 (\$87,016 - 2012).

The fund contributed \$0 to MSC during the year ended October 31, 2013, (2012 - \$0).

Note 9 – The Brebner Artistic Endowment Fund

MSC is the 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 remainderman, the Fund's assets are not included in these financial statements. As of October 31, 2013, the fund held assets of \$155,779 (\$146,631 - 2012).

The Fund contributed \$7,022 to MSC during the year ended October 31, 2013, (2012 - \$9,990).

Note 10 – 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, 2013 MSC was able to provide instruction without remuneration (scholarship funding) with a fair market value of \$105,250, (2012 - \$81,155).

Marin Shakespeare Company
Notes to the Financial Statements
October 31, 2013

Note 11 - Promotional events

MSC held two main fundraising events during the year ended October 31, 2013, tours to the Ashland Oregon Shakespeare Festival and an online auction. The income derived from these special events is presented net of direct expenses. A summary of the activity during the year is as follows:

	<u>Ashland</u>	<u>Auction</u>
Income	\$86,507	\$ 2,555
Expenses	(62,995)	(243)
Net event income	<u>\$23,512</u>	<u>\$ 2,312</u>

Note 12 – Contributed services

The organization received donated services during the years ended October 31, 2013 with a fair market value of \$15,000 (2012 - \$16,000). 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 the administration expenses of the organization.