

**Marin Shakespeare Company**

Financial Statements

For the year ended October 31, 2020

with

Report of Independent Auditors



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## Report of Independent Auditors

To the Board of Directors  
Marin Shakespeare Company

We have audited the accompanying financial statements of the Marin Shakespeare Company, which comprise the statements of financial position as of October 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

### **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, 2020, 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 financial statements of the Marin Shakespeare Company as of and for the year ended October 31, 2019, and in our report dated July 31, 2020, we expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*WMB<sup>2</sup>, LLP*

WMB<sup>2</sup>, LLP  
Larkspur, California  
April 16, 2021

**MARIN SHAKESPEARE COMPANY**  
**STATEMENTS OF FINANCIAL POSITION**  
**OCTOBER 31, 2020 AND 2019**

<b>Assets</b>	<u>2020</u>	<u>2019</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 887,667	\$ 802,081
Receivables:		
Accounts receivable	87,006	94,910
Pledges receivable	39,946	138,384
Prepaid expenses	<u>8,873</u>	<u>17,451</u>
Total current assets	<u>1,023,492</u>	<u>1,052,826</u>
<b>Property and equipment</b>		
Property, and equipment, net of accumulated depreciation of \$277,769 and \$232,046 in 2020 and 2019	2,928,254	2,480,006
<b>Other noncurrent assets</b>		
Investments held by Marin Community Foundation	1,997,749	1,998,046
Pledges receivable, long term	-	6,342
Deposits	<u>2,224</u>	<u>22,588</u>
Total noncurrent assets	<u>4,928,227</u>	<u>4,506,982</u>
<b>Total assets</b>	<u><u>\$ 5,951,719</u></u>	<u><u>\$ 5,559,808</u></u>
<b>Liabilities and Net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 17,228	\$ 18,818
Deferred revenue	38,322	125,928
Note payable - Paycheck Protection Program	<u>166,910</u>	<u>-</u>
<b>Total liabilities</b>	<u>222,460</u>	<u>144,746</u>
<b>Net assets</b>		
Without donor restrictions	4,635,184	3,911,777
With donor restrictions	<u>1,094,075</u>	<u>1,503,285</u>
Total net assets	<u>5,729,259</u>	<u>5,415,062</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 5,951,719</u></u>	<u><u>\$ 5,559,808</u></u>

See accompanying notes.

**MARIN SHAKESPEARE COMPANY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED OCTOBER 31, 2020**  
**AND COMPARATIVE TOTALS FOR 2019**

	Without donor restrictions	With donor restrictions	2020 Totals	2019 Totals only
<b>Support and revenue</b>				
Contributions	\$ 139,481	\$ 256,307	\$ 395,788	\$ 663,770
Foundation grants	15,765	47,100	62,865	192,200
Government grants	64,424	15,000	79,424	222,020
Government contracts	676,955	-	676,955	545,488
In-kind contributions	101,000	-	101,000	112,000
Special events, net	1,845	-	1,845	41,001
Program income	214	-	214	257,419
Concession sales, net	70	-	70	20,977
Tuition	51,295	-	51,295	80,698
Rental income	9,777	-	9,777	16,131
Other income	5,065	-	5,065	12,295
Net investment return	(5,662)	22,852	17,190	61,528
Net assets released from restrictions	750,469	(750,469)	-	-
 Total support and other revenue	 1,810,698	 (409,210)	 1,401,488	 2,225,527
<b>Expenses</b>				
Program services	888,679	-	888,679	1,224,805
Management and general	186,331	-	186,331	220,640
Fundraising	12,281	-	12,281	107,955
 Total expenses	 1,087,291	 -	 1,087,291	 1,553,400
 <b>Change in net assets</b>	 723,407	 (409,210)	 314,197	 672,127
 <b>Net assets, beginning of year</b>	 3,911,777	 1,503,285	 5,415,062	 4,742,935
 <b>Net assets, end of year</b>	 <u>\$ 4,635,184</u>	 <u>\$ 1,094,075</u>	 <u>\$ 5,729,259</u>	 <u>\$ 5,415,062</u>

See accompanying notes.

**MARIN SHAKESPEARE COMPANY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED OCTOBER 31, 2020**  
**AND COMPARATIVE TOTALS FOR 2019**

	<b>Program</b>		<b>Supporting Services</b>			
	Total			Total	2020	2019
	Program	Management		Supporting	Totals	Totals only
	Services	and General	Fundraising	Services		
Salaries	\$ 573,825	\$ 91,798	\$ 5,391	\$ 97,189	\$ 671,014	\$ 815,421
Payroll taxes	54,316	7,630	1,530	9,160	63,476	74,726
Employee benefits	40,383	7,837	1,186	9,023	49,406	81,689
Bank fees	-	4,087	-	4,087	4,087	13,644
Depreciation and amortization	38,865	6,858	-	6,858	45,723	51,768
Dues and subscriptions	965	528	-	528	1,493	1,808
Education and seminars	2,770	550	-	550	3,320	7,903
Fees and licenses	824	195	-	195	1,019	1,445
Donated goods and services	84,750	16,250	-	16,250	101,000	70,000
Donated use of facilities	-	-	-	-	-	42,000
Insurance	12,395	1,290	-	1,290	13,685	12,374
Marketing and advertising	5,066	147	2,280	2,427	7,493	44,368
Miscellaneous expenses	-	18,428	-	18,428	18,428	3,904
Occupancy	19,065	4,233	-	4,233	23,298	48,301
Office expenses	21,670	5,010	-	5,010	26,680	9,876
Performance expenses	7,898	18	-	18	7,916	53,636
Postage and shipping	2,025	390	1,867	2,257	4,282	13,969
Professional fees	6,203	21,056	-	21,056	27,259	155,286
Travel	17,659	26	27	53	17,712	51,282
	<u>\$ 888,679</u>	<u>\$ 186,331</u>	<u>\$ 12,281</u>	<u>\$ 198,612</u>	<u>\$ 1,087,291</u>	<u>\$ 1,553,400</u>

See accompanying notes.

**MARIN SHAKESPEARE COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED OCTOBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 314,197	\$ 672,127
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	45,723	51,768
Unrealized (gain) loss on investments	(8,743)	(39,859)
(Increase) decrease in assets:		
Receivables	112,684	44,064
Prepaid expenses	8,577	(3,896)
Deposits	20,364	3,740
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,590)	5,285
Deferred revenue	<u>(87,606)</u>	<u>117,268</u>
<b>Cash provided by operating activities</b>	403,606	850,497
<b>Cash flows from investing activities</b>		
Change in investments held by Marin Community Foundation	9,040	(395,733)
Purchases of property and equipment	<u>(493,971)</u>	<u>(82,451)</u>
<b>Cash used for investing activities</b>	(484,931)	(478,184)
<b>Cash flows from financing activities</b>		
Proceeds from note payable - Paycheck Protection Program	<u>166,910</u>	<u>-</u>
<b>Cash used for financing activities</b>	<u>166,910</u>	<u>-</u>
<b>Increase in cash and cash equivalents</b>	85,585	372,313
<b>Cash and cash equivalents, beginning of year</b>	<u>802,081</u>	<u>429,768</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 887,667</u></u>	<u><u>\$ 802,081</u></u>

See accompanying notes.

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

**Note 1 – Description of organization**

The Marin Shakespeare Company (MSC) is a non-profit California corporation. With Shakespeare as their endless inspiration, Marin Shakespeare Company's mission is to serve as a vibrant catalyst for cultural engagement, education and social justice to benefit 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**

MSC prepared the accompanying financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual basis of accounting, contributions are recognized when promised, revenues are recognized when earned and expenses are recognized when incurred.

**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 Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 2 – Summary of significant accounting policies (continued)

Net assets (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.

Fair value

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.

Cash and cash equivalents

Cash and cash equivalents consist principally of amounts on deposit with commercial banks. MSC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables

Accounts receivable, all due within one year, consist principally of amounts due from various cost-reimbursement government grants and contracts.

Pledges receivable consist of unconditional donor promises to give.

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 2 – Summary of significant accounting policies (continued)

Allowance for uncollectible receivables

MSC uses the allowance method to account for uncollectible receivables. Under this method, MSC reviews all receivables for any problems with collectability. If MSC feels that there may be a problem with collections, it provides for an allowance for the receivable. When attempts to collect a specific receivable are unsuccessful, MSC considers the account uncollectible and writes it off against the allowance. As of October 31, 2020 and 2019, management of MSC concluded that an allowance for uncollectible accounts was not material to the financial position of MSC.

Property and equipment

Property and equipment consist of land, building and improvements, leasehold improvements and equipment. MSC records purchased property and equipment at cost. MSC records donated property and equipment at fair value. MSC computes depreciation on property and equipment using the straight-line method over estimated useful lives ranging from five years for equipment to thirty-nine years for real property. MSC generally capitalizes expenditures of \$1,000 or more. Repairs and maintenance are charged to expense as incurred.

Deferred revenue

Advance payments from grants and contracts are classified as deferred revenue and recognized as revenue once earned.

Revenue recognition

Government grants and contracts are conditional cost-reimbursement contracts at correctional facilities. MSC does not recognize support from these contracts until it fulfills the conditions, generally by expending costs and performing services to accomplish the requirements of the contracts.

MSC earns revenue from its various programs. MSC recognizes program revenue when the related program occurs. A significant portion of program revenue is earned during the performance season through ticket sales. Tuition income for its standards-based in-school and summer programs are recognized when the school or summer session ends. Payments received prior to the events are included in deferred revenue.

For rental income, MSC recognizes revenue when the event takes place.

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 2 – Summary of significant accounting policies (continued)

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.

Contributed goods 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.

Special events

Special events revenue, net of direct donor benefit costs, is recognized when the fundraising event takes place.

Advertising expenses

The costs of advertising are expensed as incurred. Advertising expenses for the years ended October 31, 2020 and 2019 totaled \$7,493 and \$44,368, respectively.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although management of MSC based these estimates on their knowledge of current events and actions they may undertake in the future, they may ultimately differ from actual results.

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 2 – Summary of significant accounting policies (continued)

Income taxes

The Internal Revenue Service (IRS) and the California Franchise Tax Board (FTB) approved MSC as exempt from federal income tax under the Internal Revenue Code (IRC) Section 501(c)(3) and from California bank and corporation taxes under the California Revenue and Taxation Code Section 23701(d).

In addition, the IRS approved MSC to receive contributions that qualify for the charitable contribution deduction under the IRC Section 509(a)(1) and as a publicly supported organization as described in the IRC. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. Management of MSC concluded that no activities of MSC jeopardized its exemption from income taxes or its classification as a “public charity”, or subjected MSC to taxes on unrelated business income. Consequently, MSC did not provide for any income taxes.

MSC follows accounting principles generally accepted in the United States relating to the accounting for uncertainty in income taxes. Management believes that MSC has adequately addressed all tax positions and that there are no unrecorded tax liabilities.

MSC’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. MSC expects no change to its tax provisions during the year ending October 31, 2020.

Prior year totals

The columns on the accompanying financial statements captioned “Totals only” represent 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, read such information in conjunction with the financial statements as of and for the year ended October 31, 2019, from which MSC derived the summarized information. MSC reclassified prior year amounts to conform to the current year presentation.

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 2 – Summary of significant accounting policies (continued)

Allocation of functional expenses

MSC summarizes the costs of providing various programs and other activities on a functional basis herein. Accordingly, MSC allocated certain costs between program and supporting services based on estimates of time and usage.

Note 3 – Pledges receivable

Long-term pledges receivable are shown at present value using a discount rate of 2.5%. The discount on the pledges was \$158 and \$158 at October 31, 2020 and 2019, respectively.

Pledges receivable consist of the following at October 31:

	<u>2020</u>	<u>2019</u>
Gross pledges receivable	\$ 40,104	\$ 144,884
Less: Discount to Net Present Value	<u>(158)</u>	<u>(158)</u>
Net pledges receivable	<u>\$ 39,946</u>	<u>\$ 144,726</u>
Amounts due in:		
Less than one year	\$ 39,946	\$ 138,384
One to five years	<u>-</u>	<u>6,342</u>
	<u>\$ 39,946</u>	<u>\$ 144,726</u>

Note 4 – Property and equipment

As of October 31, 2020 and 2019, property and equipment, net of accumulated depreciation, total as follows:

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 4 – Property and equipment (continued)

	<u>2020</u>	<u>2019</u>
Land	\$ 1,000,000	\$ 1,000,000
Building and improvements	1,320,866	1,320,866
Leasehold improvements	701,634	207,664
Equipment	<u>183,523</u>	<u>183,522</u>
 Total property and equipment	 3,206,023	 2,712,052
Accumulated depreciation	<u>(277,769)</u>	<u>(232,046)</u>
 Property and equipment, net	 <u><u>\$ 2,928,254</u></u>	 <u><u>\$ 2,480,006</u></u>

During the year ended October 31, 2017, MSC purchased and placed into service a building located on Fourth Street in downtown San Rafael. The building is intended to house a theater as well as storage for the props and costumes, however, this will require renovation and time. Currently the building is being utilized for storage and classrooms and is occasionally rented out to third parties.

Renovation costs on the Forest Meadows Amphitheatre are being capitalized as leasehold improvements and amortization of the asset will begin upon use.

Note 5 - Note payable - Paycheck Protection Program forgivable loan

On May 4, 2020 MSC received loan proceeds of \$166,910 from a promissory note issued by Union Bank under the Paycheck Protection Program (PPP) which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness will be determined 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. MSC expects to meet the PPP's eligibility criteria, and expects to record the proceeds as contribution revenue at the time of forgiveness. On January 14, 2021, MSC was legally released from the loan obligation by the Bank and is awaiting released from the SBA. Thus, at October 31, 2020, the entire

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 5 - Note payable - Paycheck Protection Program forgivable loan (continued)

loan balance is recorded on MSC's financial statements as note payable, all short-term.

Note 6 – Investments held by Marin Community Foundation

The Investments held by Marin Community Foundation (MCF) are held in two separate funds, The Future Fund and The Capital Projects Fund. The purpose of the funds are to accept and hold contributions to provide support to or for the benefit of MSC. Both of these funds consist 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 return.

The PIF of the community foundation is subject to variance power under the Fund Agreements dated April 7, 2014 and July 13, 2017. 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, 2020 and 2019, investments held by MCF total as follows:

	<u>2020</u>	<u>2019</u>
Contract value		
PIFs - Future Fund	1,128,545	1,131,148
PIFs - Capital Projects Fund	<u>869,204</u>	<u>866,898</u>
	<u>\$ 1,997,749</u>	<u>\$ 1,998,046</u>

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

**Note 7 – 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 remainderman, the Fund's assets are not included in these financial statements. As of October 31, 2020 and 2019, the fund held assets of \$169,034 and \$160,505, respectively.

The Fund contributed \$- and \$7,008 to MSC during the years ended October 31, 2020 and 2019, respectively.

**Note 8 – Endowment funds**

MSC's endowment includes a board designated endowment fund that was created in April 2014 and a donor designated endowment fund that was created in July 2017. The primary purpose of the funds is to solicit and receive contributions, the income from which shall be used to provide support for the benefit of MSC's activities in pursuit of its mission and to defray certain operating and capital campaign expenses. The contributions and income derived from both funds are kept separately by The Marin Community Foundation. Board designated endowment funds are subject to redesignation at any time, including redesignation as other than endowment funds.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MSC is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. MSC's board has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.



**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 8 – Endowment funds (continued)

As a result of this interpretation, MSC would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. MSC has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

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

1. The duration and preservation of the funds
2. The purposes of MSC and the endowment funds
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MSC
7. The investment policy of MSC

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 funds while seeking to maintain the purchasing power of the endowment assets. The investment policy of MSC is to preserve and protect assets of the organization while earning an appropriate rate of return of each category of assets.

The goals that will govern MSC's investment activities are, in order of priority:

1. Safety and preservation of principal
2. Liquidity of investments sufficient to meet cash flow requirements
3. To maximize return on investments while meeting objectives 1 and 2 above

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

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 8 – Endowment funds (continued)

As of October 31, 2020, endowment funds total as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
Donor restricted	\$ -	\$ 869,204	\$ 869,204
Board designated	1,128,545	-	1,128,545
	<u>\$ 1,128,545</u>	<u>\$ 869,204</u>	<u>\$ 1,997,749</u>

The composition of endowment net assets and the changes in endowment net assets as of October 31, 2020, are as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
Endowment net assets, October 31, 2019	\$ 1,131,148	\$ 866,898	\$ 1,998,046
Contributions	3,108	229,406	232,514
Investment return, net	(5,711)	22,900	17,189
Appropriations for expenditure	-	(250,000)	(250,000)
Endowment net assets, October 31, 2020	<u>\$ 1,128,545</u>	<u>\$ 869,204</u>	<u>\$ 1,997,749</u>

As of October 31, 2019, endowment funds total as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
Donor restricted	\$ -	\$ 866,898	\$ 866,898
Board designated	1,131,148	-	1,131,148
	<u>\$ 1,131,148</u>	<u>\$ 866,898</u>	<u>\$ 1,998,046</u>

The composition of endowment net assets and the changes in endowment net assets as of October 31, 2019, are as follows:

**Marin Shakespeare Company**  
Notes to Financial Statements  
October 31, 2020

Note 8 – Endowment funds (continued)

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
Endowment net assets, October 31, 2018	\$ 1,074,931	\$ 487,523	\$ 1,562,454
Contributions	15,689	358,360	374,049
Investment return, net	40,528	21,015	61,543
Endowment net assets, October 31, 2019	<u>\$ 1,131,148</u>	<u>\$ 866,898</u>	<u>\$ 1,998,046</u>

Note 9 – Net investment return

During the years ended year ended October 31, 2020 and 2019, net investment return from all sources reconcile as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 23,880	\$ 33,254
Unrealized appreciation (depreciation) on investments carried at other than fair value	8,743	39,859
Investment management and administrative fees	<u>(15,433)</u>	<u>(11,585)</u>
	<u>\$ 17,190</u>	<u>\$ 61,528</u>

Note 10 – Net assets with donor restrictions

During the year ended year ended October 31, 2020, net assets with donor restrictions reconcile as follows:

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Note 10 – Net assets with donor restrictions (continued)

	<u>2019</u>	<u>Additions</u>	<u>Releases</u>	<u>2020</u>
<u>Purpose restricted</u>				
Capital campaign	\$ 1,288,101	309,159	(503,185)	1,094,075
Education programs	<u>215,184</u>	<u>32,100</u>	<u>(247,284)</u>	<u>-</u>
Total	<u>\$ 1,503,285</u>	<u>\$ 341,259</u>	<u>\$ (750,469)</u>	<u>\$ 1,094,075</u>

During the year ended year ended October 31, 2019, net assets with donor restrictions reconcile as follows:

	<u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>2019</u>
<u>Purpose restricted</u>				
Capital campaign	\$ 872,179	540,497	(124,575)	1,288,101
Education programs	<u>101,127</u>	<u>389,020</u>	<u>(274,963)</u>	<u>215,184</u>
Total	<u>\$ 973,306</u>	<u>\$ 929,517</u>	<u>\$ (399,538)</u>	<u>\$ 1,503,285</u>

MSC is conducting a capital campaign with the goal of raising \$6.5 million dollars. Cash and promises to give raised through the capital campaign are restricted for the improvement of the amphitheater and for the renovation of the Fourth Street building. Those restrictions are considered to expire when related expenses are incurred.

Note 11 – Special events

MSC holds one promotional event annually, tours to the Ashland Oregon Shakespeare Festival.

Special events for the years ended October 31, 2020 and 2019 consist of the following:

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Note 11 – Special events (continued)

	<u>2020</u>	<u>2019</u>
Support and revenue	\$ 1,845	\$ 112,428
Direct donor-benefit costs	<u>-</u>	<u>71,427</u>
Special events, net	<u>\$ 1,845</u>	<u>\$ 41,001</u>

Note 12 – Contributed goods and services

For the year ended October 31, 2020, contributed goods and services totaled \$101,000 (\$5,000 contributed goods and \$96,000 contributed services). For the year ended October 31, 2019 contributed goods and services totaled \$70,000 (\$26,000 contributed goods and \$44,000 contributed services). Contributed services included advertising, sanitation, dry cleaning, electrical, architecture, HR services, succession planning, and more. The majority of these services were for the benefit of the programs.

In addition, the value of donated facilities for performances and actors for the years ending October 31, 2020 and 2019 totaled \$- and \$42,000, respectively.

Note 13 – Scholarships

Through the generosity of donors, MSC is able to offer financial assistance to individuals, prisons and schools that are unable to otherwise afford the cost of the drama instruction workshops. For the years ended October 31 2020 and 2019, MSC was able to provide instruction without remuneration (scholarship funding) with a value of \$78,800 and \$126,293 respectively.

Note 14 – Commitments and contingencies

MSC leases the Forest Meadows Amphitheater at Dominican University of San Rafael under an operating lease that expires December 31, 2040. The lease provides a fixed rent of \$16,500 for the first three years with potential adjustment for the remaining period of the contract. As of October 31, 2020, there have been no increases. The rent for fiscal year ending October 31, 2020 was waived due to

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Note 14 – Commitments and contingencies (continued)

Covid 19. Leasehold improvements are allowed, but will not be reimbursed by the University. The contract also stipulates that early termination of the contract caused by the University will provide MSC with recourse as to the reimbursement for improvements that it has made that are not removable. A security deposit is refunded at the end of each performance season.

Occupancy expense for performances and instruction at the Forest Meadows Amphitheater and short term venues for the years ended October 31, 2020 and 2019 was \$- and \$20,320 respectively.

MSC also leases office space at the Managing Director's home under an operating lease that terminates when the Managing Director terminates employment with MSC or MSC ceases operations at premises. The Managing Director's employment contract ends June 30, 2022. The Managing Director's annual salary is set at \$100,000 for the first year with potential adjustments for the remaining period of the contract. Effective January 2020, MSC board approved an annual salary increase to \$125,000. Effective May 2020, the Managing Director took voluntary monthly salary pay cut due to Covid 19.

Occupancy expense for office space at the Managing Director's home for the years ended October 31, 2020 and 2019 was \$9,000.

Future minimum rental payments due under the operating leases are as follows for the years ended October 31:

2021	25,500
2022	22,500
2023	16,500
2024	16,500
2025	16,500
Thereafter	<u>247,500</u>
	<u><u>\$ 345,000</u></u>

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**Note 14 – 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, 2020 and 2019 was \$- and 19,364, respectively.

**Note 15 – Related parties**

The Managing Director has several family members that are affiliated with the organization. Her husband, Robert Currier, is employed as the acting artistic director, both of her sons, Nathaniel and Jackson Currier and her daughter-in-law Luisa, are employed by the organization in several different capacities. All are paid positions and compensation is commensurate with the local prevailing rates. Remuneration received by Robert, Nathaniel, Jackson and Luisa totaled \$87,337 and \$112,031 during the years ended October 31, 2020 and 2019, respectively. No payables or receivables are outstanding from any of the related parties as of October 31, 2020 and 2019.

**Note 16 – Liquidity and availability of financial assets**

The following reflects MSC'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 restrictions 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 amounts set aside as an endowment, board designated funds that could be drawn upon if the Board of Directors approves that action. Also, included are donor restricted funds for capital campaign.

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Note 16 – Liquidity and availability of financial assets

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 887,667	\$ 802,081
Receivables	126,952	239,636
Investments	<u>1,997,749</u>	<u>1,998,046</u>
	3,012,368	3,039,763
Less those unavailable for general expenditures within one year, due to:		
Pledges receivable, long term	-	6,342
Deferred revenue	38,322	125,928
Board designated to maintain as an endowment	1,128,545	1,131,148
Donor restricted for capital campaign	<u>1,094,075</u>	<u>1,288,101</u>
	<u>2,260,942</u>	<u>2,551,519</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 751,426</u></u>	<u><u>\$ 488,244</u></u>

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

Note 17 – Risks and concentrations

Financial instruments that potentially subject MSC to credit risk consist principally of cash and cash equivalents and investments. MSC maintains its cash balances at two major financial institutions. The balances at times may exceed federally insured limits. MSC maintains its investments at a local community foundation. Management believes that MSC is not exposed to any significant credit risk with respect to these accounts.

Investments are subject to credit, interest rate and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Interest rate risk is the risk that interest rates in the market will change relative to the interest rates earned on MSC investments. Market risk is the inherent change in the fair value of an investment due to changes in conditions.



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Note 17 – Risks and concentrations (continued)

MSC manages risk to its investments by periodically reviewing investments for compliance with their investment policy and investment returns for comparability to the general market and specific investment class returns.

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.

MSC has received support that may be subject to audit or review by the grantor agencies. Management believes that MSC has complied with all aspects of grant and contract provisions and disallowed costs, if any, would be insignificant to its financial position.

MSC programs are funded significantly by government grants and contracts. The contracts are subject to annual renewal. A significant reduction in the level of contract support, if this were to occur without replacement from other revenues and support, could adversely affect the extent of MSC's programs

During the year ended October 31, 2020, contributions received from one donor totaled 13% of total support and revenue and government grants and contracts totaled 54% of support and revenue. During the year ended October 31, 2019, contributions received from one donor totaled 15% of total support and revenue and government grants and contracts totaled 34% of support and revenue.

At October 31, 2020, a government agency accounted for 56% of total accounts receivable. At October 31, 2019, two donors and a government agency accounted for 62% of total accounts receivable.

Note 18 – Adoption of new accounting standards

Effective November 1, 2018, MSC adopted the following pronouncements:

FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not for Profit Entities*. The new pronouncement changed the presentation of certain information in the financial statements and footnote disclosures.

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Note 18 – Adoption of new accounting standards (continued)

Effective November 1, 2019, MSC adopted the following pronouncements:

FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The new pronouncement establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. MSC has implemented Topic 606, Subtopic 825-10 and Topic 958 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

FASB ASU 2016-01, *Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*. This amendment requires, among other things, equity investments to be measured at fair value with changes in fair value recognized in net income. The amendment has been applied retrospectively to all periods presented. The implementation of ASU 2016-01 did not have a material impact on the financial statements.

FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made*. The new pronouncement assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. MSC has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with implementation of ASU 2018-08.

Note 19 – Subsequent events

MSC evaluated subsequent events for recognition and disclosure through April 16, 2021, the date which these financial statements were available to be issued. On January 14, 2021, the PPP loan was forgiven by the Bank, and on March 31, 2021, the PPP loan was forgiven by the SBA. On April 1, 2021, MSC received a second round of PPP funds totaling \$173,894.

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**Note 20 – Covid-19 Pandemic response**

On March 16, 2020, Marin County instituted a Shelter at Home order. MSC staff began working from home. All in-person programs at schools, prisons, and 514 Fourth Street were shut down. Eventually, MSC was able to provide Alternative Programming for prisons, Alameda Juvenile Hall, and Marin's Community School. MSC provided both virtual and in-person classes, with the in-person classes limited to 9 weeks of summer camps for ages 8 through 12, in accordance with County guidelines. MSC cancelled its 2020 summer season, and will need to cancel or modify its 2021 summer season. The Executive Directors took voluntary pay cuts. For two months (September and October 2020), 4 of the 5 other staff members were asked to take a 20% pay cut and work a 4 hour work week, and it furloughed the Box Office Manager, who was subsequently let go.