Marin Theatre Company

Financial Statements

with

Report of Independent Auditors

For the year ended June 30, 2017

WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT LLP

CERTIFIED PUBLIC ACCOUNTANTS

DONALD WILSON
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Report of Independent Auditors

To the Board of Directors
of Marin Theatre Company

We have audited the accompanying financial statements of Marin Theatre Company (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2017, 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; 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 of 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 Marin Theatre Company as of June 30, 2017, 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.

Report on Summarized Comparative Information
We have previously audited Marin Theatre Company's financial statements for the year ended June 30, 2016, and in our report dated January 4, 2017, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott, LLP
Larkspur, California
November 1, 2017

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Marin Theatre Company
Statement of Financial Position
As of June 30, 2017
with comparative totals only as of June 30, 2016

	Unrestricted	Temporarily restricted	2017 Totals	2016 Totals
Assets				
Current assets				
Cash and cash equivalents	$ 110,747	$ -	$ 110,747	$ 225,523
Receivables				
Grants and contributions, due within one year	95,574	65,000	160,574	210,388
Executive housing contribution, due within one year	-	155,983	155,983	250,000
Other	29,882	-	29,882	12,654
Investments, at fair value	277,708	-	277,708	264,175
Prepaid expenses	106,750	-	106,750	61,167
Total current assets	620,661	220,983	841,644	1,023,907
Property and equipment, net of accumulated depreciation	2,874,382	-	2,874,382	2,992,274
Grants and contributions receivable, due after one year	-	185,133	185,133	188,389
Executive housing contribution receivable, due after one year	-	338,163	338,163	486,701
Special purpose reserves, at fair value	694,181	251,828	946,009	281,013
Deposits	51,800	-	51,800	57,300
Total assets	$ 4,241,024	$ 996,107	$ 5,237,131	$ 5,029,584
Liabilities and net assets				
Current liabilities				
Bank line of credit	$ 47,553	$ -	$ 47,553	$ 150,000
Accounts payable and accrued expenses	321,956	-	321,956	109,816
Deferred revenue	455,043	-	455,043	527,658
Mortgage notes payable, due within one year	41,963	-	41,963	40,403
Total current liabilities	866,515	-	866,515	827,877
Interfund payable (receivable)	281,685	(281,685)	-	-
Mortgage notes payable	412,102	-	412,102	704,301
Total liabilities	1,560,302	(281,685)	1,278,617	1,532,178
Total net assets	2,680,722	1,277,792	3,958,514	3,497,406
Total liabilities and net assets	$ 4,241,024	$ 996,107	$ 5,237,131	$ 5,029,584

See accompanying notes.

Marin Theatre Company
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2017
with comparative totals only for the year ended June 30, 2016

	Unrestricted	Temporarily restricted	2017 Totals	2016 Totals
Revenue				
Subscription sales	$ 444,975	$ -	$ 444,975	$ 434,434
Single ticket sales	523,805	-	523,805	585,902
Tuition income	201,428	-	201,428	210,308
Ticket and order fees	93,622	-	93,622	86,162
Program ad sales	17,920	-	17,920	14,832
Rental income	26,720	-	26,720	24,360
Concession income, net	26,749	-	26,749	28,441
Interest and dividend income	6,177	-	6,177	4,973
Other income	34,587	-	34,587	37,943
Realized and unrealized gains (losses) relating to securities	9,279	-	9,279	(5,578)
Total revenue	1,385,262	-	1,385,262	1,421,777
Support				
Contributions from				
Board members	454,600	12,410	467,010	750,660
Individuals	1,473,534	263,569	1,737,103	594,986
Foundations	162,750	175,000	337,750	490,600
Corporations	23,292	-	23,292	29,738
Government	3,500	20,000	23,500	30,300
Donated services and materials	12,753	-	12,753	61
Special events, net of donor direct benefit costs of $128,899 (2016 - $89,074)	165,004	-	165,004	90,647
Net assets released from restrictions	595,279	(595,279)	-	-
Total support	2,890,712	(124,300)	2,766,412	1,986,992
Total revenue and support	4,275,974	(124,300)	4,151,674	3,408,769
Expenses				
Program services				
Theatre	2,628,194	-	2,628,194	2,319,251
Education	301,522	-	301,522	451,114
Total program services	2,929,716	-	2,929,716	2,770,365
General and administrative	345,601	-	345,601	384,662
Development	415,249	-	415,249	374,152
Total expenses	3,690,566	-	3,690,566	3,529,179
Change in net assets	585,408	(124,300)	461,108	(120,410)
Net assets, beginning of year	2,095,314	1,402,092	3,497,406	3,617,816
Net assets, end of year	$ 2,680,722	$ 1,277,792	$ 3,958,514	$ 3,497,406

See accompanying notes.

Marin Theatre Company
Statement of Functional Expenses
For the year ended June 30, 2017
with comparative totals only for the year ended June 30, 2016

	Program Services						
	Theatre	Education	Totals	General and administrative	Development	2017 Totals	2016 Totals
Artistic salaries and fees	$ 847,899	$ 172,326	$ 1,020,225	$ -	$ -	$ 1,020,225	$ 956,995
Administrative salaries and fees	145,434	24,691	170,125	222,358	271,229	663,712	624,553
Production salaries and fees	620,382	5,850	626,232	-	-	626,232	586,336
Marketing salaries and fees	84,567	15,430	99,997	-	-	99,997	66,203
Production costs	304,107	37,251	341,358	570	6	341,934	305,941
Marketing and advertising	243,874	1,938	245,812	2,761	57,448	306,021	300,337
Facility maintenance and utilities	123,545	10,383	133,928	15,406	8,915	158,249	142,651
Computer software and technology	29,302	5,989	35,291	4,358	33,773	73,422	67,297
Supplies	22,943	2,308	25,251	6,256	3,591	35,098	48,312
Bank charges and fees	63,517	646	64,163	2,560	1,314	68,037	73,038
Insurance	21,290	1,547	22,837	6,023	2,747	31,607	49,935
Professional fees	21	-	21	19,858	-	19,879	43,394
Other	31,978	15,506	47,484	14,490	22,187	84,161	90,325
Interest	-	-	-	34,371	-	34,371	40,274
Depreciation	89,335	7,657	96,992	16,590	14,039	127,621	133,588
Total expenses	$ 2,628,194	$ 301,522	$ 2,929,716	$ 345,601	$ 415,249	$ 3,690,566	$ 3,529,179

See accompanying notes.

Marin Theatre Company
Statement of Cash Flows
For the years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 461,108	$ (120,410)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	127,621	133,588
Realized and unrealized (gains) losses related to securities	(13,533)	1,718
Changes in certain assets and liabilities		
Receivables due within one year	126,603	(60,497)
Prepaid expenses	(45,583)	17,124
Receivables due after one year	151,794	266,102
Accounts payable and accrued expenses	212,140	(111,323)
Deferred revenue	(72,615)	67,666
Cash provided by operating activities	947,535	193,968
Cash flows from investing activities		
Purchases of property and equipment	(9,729)	-
Special purpose reserve activity, net	(664,996)	(73,506)
Increase in deposits	5,500	1,857
Cash used by investing activities	(669,225)	(71,649)
Cash flows from financing activities		
Bank line of credit advances	445,000	300,000
Bank line of credit repayments	(547,447)	(150,000)
Repayment of mortgage notes	(290,639)	(172,992)
Cash used by financing activities	(393,086)	(22,992)
Change in cash and cash equivalents	(114,776)	99,327
Cash and cash equivalents, beginning of year	225,523	126,196
Cash and cash equivalents, end of year	$ 110,747	$ 225,523
Cash paid during year for interest	$ 34,371	$ 40,274

See accompanying notes.

Marin Theatre Company
Notes to Financial Statements
June 30, 2017

Note 1 - Organization and nature of activities

Marin Theatre Company (the Company) is a nonprofit corporation that was organized in 1968 as the Mill Valley Center for the Performing Arts. In 1984 the organization was reincorporated as a professional theater company, the name was changed to Marin Theatre Company and a contract agreement was entered into with Actors' Equity Association (AEA). In addition, the building at 397 Miller Avenue in Mill Valley was acquired and construction of the Sali Lieberman Studio Theatre commenced. By the end of 1987 the construction of both the main stage and the studio theater was completed.

The Company is a professional, regional theater that produces a six-show season of provocative plays by passionate playwrights from the 20th century and today. It is committed to the development and production of new plays by American playwrights, with a comprehensive New Play Program that includes two nationally recognized annual playwriting awards, numerous new play readings and workshops by the nation's best emerging playwrights, and a leadership position in the National New Play Network. It also has numerous educational programs that serve more than 6,000 students each year.

The Company's operating principles mandate that the performances remain accessible to the community at large. Therefore, ticket sales cover less than one third of the Company's expenses. The Company relies on support from foundations, businesses and individuals for the balance required to sustain its operations.

Note 2 – Summary of significant accounting policies

<u>Basis of accounting</u>
The Company prepares its financial statements using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States.

<u>Basis of presentation</u>
The Company presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets consist of resources, which have not been specifically restricted by a donor. Unrestricted net assets may be designated for a specific purpose by the Company or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Company pursuant to those stipulations.

Note 2 - Summary of significant accounting policies (continued)

Basis of presentation (continued)
Permanently restricted net assets represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Company. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. The Company held no permanently restricted net assets as of June 30, 2017 or 2016.

Revenue and expense recognition
Season subscriptions, single ticket payments received in advance of performances, and tuition revenue received in advance of the school sessions are deferred and recognized as revenue once the applicable performance is presented or the school session concludes. Expenditures relating to annual subscription campaigns and future productions are recorded as prepaid expenses and charged to expense in the applicable fiscal year. Advertising costs are expensed as incurred unless they are specifically related to productions in the next fiscal year.

Support recognition
Unconditional promises to give are recorded as support and as receivable when the promises are made. Gifts, grants, and unconditional promises to give cash or other assets, the uses of which are limited by the donor, are reported as temporarily restricted support. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

Donated materials and services
Contributions of securities, materials and facilities are reflected in the accompanying financial statements at their fair value at the date of receipt. Contributions for services are recognized only if such services create or enhance a nonfinancial asset or require specialized skills and are provided by individuals possessing those skills and would typically need to be paid for if not provided by donation.

Note 2 - Summary of significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and on deposit with a commercial bank, available on demand.

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

Allowance for doubtful accounts
The Company uses the allowance method to account for uncollectible accounts receivable. Under this method, the Company reviews all receivables for any problems with collectability. If the Company feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. As of June 30, 2017 and 2016, management concluded that any allowance for doubtful accounts would not be material to the financial position of the Company.

Property and equipment
Property and equipment acquisitions costing more than $1,000 and with useful lives of one year or greater are capitalized, stated at cost or fair value if donated, and depreciated using the straight line method over the estimated economic lives of the assets.

Tax-exempt status
The Company is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and a similar California statute. In addition, the Company has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded.

The Company generates unrelated business income from advertising and rent; however, allocable expenses exceed income and therefore no income taxes are payable. The Company's informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board for three years and four years, respectively, after they are filed.

Fair value measurements
The Company adopted a framework for measuring fair value. Fair value is defined as the price that would be received to sell the asset or would be paid to transfer the liability in an orderly transaction between market participants. The Company's financial assets shown at

Note 2 - Summary of significant accounting policies (continued)

Fair value measurements (continued)
fair value include the endowment securities which are valued using a market approach based on quoted market prices (Level 1 – quoted prices in active markets for identical investments.)

Use of estimates
Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Allocation of functional expenses
Functional expenses of the Company include program and supporting expenses. Supporting expenses include management general and administrative and fundraising. The Company records expenses that directly benefit an activity to that specific activity. The Company allocates expenses that do not directly benefit an activity between program and supporting activities based on estimates of the relative benefits to each.

The Company bases its estimates on either time spent by personnel on various activities or space used by various activities, whichever management deems more relevant to the particular expense. The management of the Company reviews and adjusts the estimates at least annually.

Credit and market risk
Cash and cash equivalents held by the commercial banks exceeded federal deposit insurance limits at various times during the years ended June 30, 2017 and 2016.

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.

Comparative totals
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Note 2 - Summary of significant accounting policies (continued)

Subsequent events

Subsequent events have been evaluated through November 1, 2017, the date in which the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2017 that required recognition or disclosure.

Note 3 - Grants and contributions receivable

During the year ended June 30, 2015, the Company was awarded a multi-year grant, which has annual payments expected through June 30, 2021. For financial statement purposes, the grant receivable has been discounted at what was considered a risk-free rate of return (2.5%) to reflect its present value.

At June 30, 2017, the grant receivable expected to be collected in successive years is as follows:

2018	$ 50,000
2019	50,000
2020	50,000
2021	50,000
Less discount	(19,867)
Less amount due with one year	(50,000)
Amount due after one year, net	$ 130,133

Included in non-current grants receivable, is a $55,000 grant from an individual donor that is due to be received in 2019. The Company has elected to not discount this receivable as the discount amount would be insignificant.

As June 30, 2017, the Company also has a number of other current grant and contribution receivables outstanding, totaling to an unrestricted balance of $95,574 and a restricted balance of $65,000.

An additional grant of $180,000 payable over three years and restricted to the acquisition of rehearsal space has not been recognized as it is contingent, in part, on its being matched by other contributions.

Note 4 - Executive housing contribution receivable

In September 2012 and February 2013 the Company acquired two residential properties that are intended to provide housing for top-level executive and artistic staff. The Company executed two mortgages to finance the acquisitions. A donor had pledged $250,000 in total annual contributions for the years ending June 30, 2016 and 2017, and $150,000 thereafter until the mortgages are paid in full. For financial statement purposes, this contribution has been discounted to reflect its present value using a rate of 3.775%, consistent with the approximate interest rate incurred on the related debt.

At June 30, 2017, the contribution receivable expected to be collected in successive years is as follows:

2018	$ 155,983
2019	150,000
2020	150,000
2021	71,839
Less discount	(39,659)
Less amount due with one year	(150,000)
Amount due after one year, net	$ 338,163

The Company received $17,970 and $24,360 in rental income during the years ended June 30, 2017 and 2016, respectively, from employees who have lived on the two properties. The Company has executed month-to-month leases for each of the properties. The rents are used to defray maintenance costs.

Note 5 - Investments

Investments and money market accounts held as of June 30, 2017 and 2016 are held by two different financial institutions. The Company's portfolio of accounts consists of the following:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Money Market Fund (Mellon grants)	$ 199,218	$ 199,218	$ 281,013	$ 281,013
Money Market Fund (facilities reserve)	746,791	746,791	-	-
Operating reserve – liquid fund	28,483	28,483	26,498	26,498
Operating reserve - equity investments	239,052	249,225	235,554	237,677
Total	$ 1,213,544	$ 1,223,747	$ 543,065	$ 545,188

Although each account holds similar investments in nature, each account contains a specific operational purpose and has a designated functionality, as defined by the Company's Board of Directors.

These accounts are classified in the accompanying statement of financial position as current or non-current assets.

	2017	2016
Investments, at fair value	$ 277,708	$ 264,175
Special purpose reserves, at fair value	$ 946,009	$ 281,013
Total	$ 1,223,747	$ 545,188

Marin Theatre Company
Notes to Financial Statements
June 30, 2017

Note 6 - Property and equipment

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

	2017	2016
Related to theatre operations		
Land	$ 870,568	$ 870,568
Building and improvements	2,417,245	2,417,245
Production equipment and theatre furnishings	276,711	271,711
Office equipment	107,771	103,042
Vehicle	29,688	29,688
Total theatre property	3,701,983	3,692,254
Executive housing (two residences)		
Land	1,000,000	1,000,000
Building and improvements	564,582	564,582
Total housing property	1,564,582	1,564,582
Total property and equipment	5,266,565	5,256,836
Accumulated deprecation	(2,392,183)	(2,264,562)
Net property and equipment	$ 2,874,382	$ 2,992,274

Note 7 – Special purpose reserves

The Company holds reserve funds, which can be either donor restricted or board designated, for specific initiatives. As of June 30, 2017, the Company held accounts at two separate commercial institutions, all held as money market funds.

In May 2017 the Company received a large stock donation from an individual donor, for a total value equaling $495,542. The donor provided this gift with no restrictions; however, the Board of Directors elected to designate this donation for facility growth and expansion.

In May 2017 the Company received a large stock donation from an individual donor, for a total value equaling $251,249. The donor of this gift restricted that these funds be used at the Board of Directors' discretion for the improvement and expansion of the Company's facilities.

Note 8 - Deposits

As of June 30, 2017 and 2016, deposits include $37,805 and $44,305 respectively, held by the Actors' Equity Association on behalf of the Company. The deposit insures that the Company will meet current wage and benefit obligations to AEA members.

Note 9 – Bank line of credit

The Company has available a $300,000 line of credit from a commercial bank. Of the available amount, $47,553 and $150,000 was borrowed as of June 30, 2017 and 2016, respectively. Amounts borrowed bear interest at the bank's prime rate plus 1.00% (4.25% prime rate as of June 30,2017) with a floor of 4.25% and are collateralized by all real and personal property of the Company. The line of credit was renewed by the bank in May 2017. The bank will have the ability to renew the line of credit again in May 2018.

Note 10 - Mortgage notes payable

During the year ended June 30, 2013 the Company acquired two residential properties that provide housing for top-level executive and artistic staff. To finance the acquisitions, the Company executed two mortgages, totaling $1,296,500. The notes currently bear interest at 3.70% and 3.85% respectively, and require cumulative monthly payments of $6,065, including principal and interest. Both loan balances mature in 2042.

The interest rate on both loans will adjust to a monthly LIBOR variable rate during the year ended June 30, 2020. During the variable interest period, there is a floor of 2.95% and ceiling of 10.95%. The notes are secured by the residential properties, the Company's theater, and other assets of the Company.

Note 10 - Mortgage notes payable (continued)

Annual maturities related to the mortgage notes based on the above terms are as follows for the years ended June 30:

2018	$ 41,963
2019	45,384
2020	45,267
2021	45,150
Thereafter	276,301
	454,065
Less amount due within one year	(41,963)
	$ 412,102

Should the Company prepay more than 20% of the original principal balance in any one year, a prepayment fee will be charged.

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets consist of the following for the year ended June 30, 2017. Amounts released were the result of meeting donor imposed program restrictions.

	June 30, 2016	Received	Released	June 30, 2017
Executive housing	$ 722,072	$ 251,250	$ (309,436)	$ 663,886
Play development	262,500	-	(62,500)	200,000
Education and outreach	-	10,000	-	10,000
Scholarships	-	12,319	-	12,319
General operations	55,000	177,410	(55,000)	177,410
Residencies	362,520	-	(148,343)	214,177
Mainstage programs	-	20,000	(20,000)	-
	$ 1,402,092	$ 470,979	$ (595,279)	$ 1,277,792

Note 12 - Retirement plan

The Company sponsors a qualified 403(b) plan for eligible employees. Employees may contribute any percentage of their annual compensation, but no more than the annual maximum limit as defined in the Internal Revenue Code. The Company has the option to make a discretionary matching contribution as determined by the board. The Company chose not to make a matching contribution to the plan for the years ended June 30, 2017 or 2016.

Note 13 - Lease commitment

Effective January 1, 2011, the Company entered into a five-year lease for industrial space to house their scene shop. The lease ended in June 2016. The space continues to be rented on an annual basis. Rent expenses aggregated $43,397 for the year ended June 30, 2017.

Effective July 1, 2016 the Company entered into a three-year lease agreement with an independent third party to lease an apartment to act as an executive housing location. Rent is collected from the executive and paid directly to the third party by the Company. There are no outstanding amounts due from executives as of June 30, 2017.

Note 14 - Commitments and uncertainties

A Board member has provided services for several of the Company's annual gala events. Based on the amounts billed, the Board member is due approximately $83,125 for the services provided and the Company has recorded a liability for this amount. Payment for the services or, in lieu of payment, an in-kind contribution to the Company is at the discretion of the Board member.

The Company is a member of the League of Resident Theatres (LORT). As a member of LORT, the Company is required to comply with the agreements between LORT and Actors' Equity Association (AEA) and Stage Directors and Choreographers Society (SDCS). The agreements with AEA and SDCS require contributions to health and retirement plans for all employees covered by the contracts. The agreement with AEA requires increases in compensation based on the Company's tier, which is based on the weekly actual box office receipts average over the three most recently completed calendar years. The agreement with AEA expires in April 2022. The agreement with SDCS requires a minimum compensation based on the length of a performance. The agreement with SDCS extends through April 2022.

The Company also complies with a contract between Theatre for Young Audiences (TYA) and AEA for its educational programs. The contract stipulates similar terms as that between

Note 14 - Commitments and uncertainties (continued)

LORT and AEA. The TYA and AEA agreement expired in June 2015. TYA and AEA are currently working on extending the contract with similar terms.

The Company entered into an agreement with United Scenic Artists that expires in June 2018. The agreement requires a minimum percentage of design positions to be filled by members of United Scenic Artists and stipulates contributions for pensions and welfare benefits.

Financial instruments that potentially subject the Company to credit risk include cash on deposit with financial institutions that at times exceed the insurance limit of the United States Federal Deposit Insurance Corporation.

The Company executed service agreements with its artistic director that extends through June 2018 and with its new managing director that extends through December 2019.