

BURNON, INC. DBA RUBICON THEATRE COMPANY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Burnon, Inc. dba Rubicon Theatre Company

Report on the Financial Statements

We have audited the accompanying financial statements of Burnon, Inc. dba Rubicon Theatre Company (a nonprofit organization), which comprise the Statement of Financial Position as of September 30, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Burnon, Inc. dba Rubicon Theatre Company as of September 30, 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Burnon, Inc. dba Rubicon Theatre Company's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

November 12, 2020

BURNON, INC.
DBA RUBICON THEATRE COMPANY

STATEMENT OF FINANCIAL POSITION

September 30, 2020

With comparative totals at September 30, 2019

	2020	2019
ASSETS		
Cash	\$ 13,386	\$ 29,192
Contributions receivable (Note 4)	765,609	252,768
Prepaid expenses and deposits	25,264	98,788
Investments - VCCF (Note 5)	58,217	56,430
Property and equipment (Note 6)	816,894	869,183
TOTAL ASSETS	\$ 1,679,370	\$ 1,306,361
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 259,975	\$ 253,932
Accrued liabilities	9,182	9,191
Accrued vacation	17,481	16,308
Deferred revenue - tickets and subscriptions	395,927	314,586
Short-term advances (Note 7)	130,308	201,458
Line of credit (Note 8)	40,997	43,596
Notes payable (Note 9)	1,031,998	908,852
TOTAL LIABILITIES	1,885,868	1,747,923
NET ASSETS		
Without donor restrictions	(1,226,942)	(868,131)
With donor restrictions		
Time or purpose (Note 11)	961,275	367,400
Perpetuity (Note 12)	59,169	59,169
TOTAL NET ASSETS	(206,498)	(441,562)
TOTAL LIABILITIES AND NET ASSETS	\$ 1,679,370	\$ 1,306,361

The accompanying notes are an integral part of these financial statements.

BURNON, INC.
DBA RUBICON THEATRE COMPANY

STATEMENT OF ACTIVITIES

For the year ended September 30, 2020

With comparative totals for the year ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT				
Contributions	\$ 643,373	\$ 1,362,886	\$ 2,006,259	\$ 1,464,812
Ticket sales	719,835		719,835	702,729
Educational outreach	24,456		24,456	66,255
Other income	21,262	1,787	23,049	52,046
Co-producing and touring	1,668		1,668	21,310
Net assets released from restrictions (Note 11)	770,798	(770,798)	-	-
TOTAL REVENUE AND SUPPORT	<u>2,181,392</u>	<u>593,875</u>	<u>2,775,267</u>	<u>2,307,152</u>
EXPENSES				
Program services	2,168,036		2,168,036	1,804,127
General and administration	174,922		174,922	303,092
Fundraising	197,245		197,245	162,042
TOTAL EXPENSES	<u>2,540,203</u>	<u>-</u>	<u>2,540,203</u>	<u>2,269,261</u>
CHANGE IN NET ASSETS	(358,811)	593,875	235,064	37,891
NET ASSETS, BEGINNING OF YEAR	<u>(868,131)</u>	<u>426,569</u>	<u>(441,562)</u>	<u>(479,453)</u>
NET ASSETS, END OF YEAR	<u>\$ (1,226,942)</u>	<u>\$ 1,020,444</u>	<u>\$ (206,498)</u>	<u>\$ (441,562)</u>

The accompanying notes are an integral part of these financial statements.

BURNON, INC.
DBA RUBICON THEATRE COMPANY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2020

With comparative totals for the year ended September 30, 2019

	Program Services	General and Administration	Fundraising	Total Expenses	
				2020	2019
Salaries	\$ 451,541	\$ 105,576	\$ 97,409	\$ 654,526	\$ 560,350
Payroll taxes and employee benefits	118,970	27,817	25,665	172,452	173,039
Total personnel costs	570,511	133,393	123,074	826,978	733,389
Presented events	473,613			473,613	63,072
Show expenses - main stage	230,363			230,363	289,064
Artistic talent	189,121			189,121	271,865
Creative artists	150,081			150,081	169,529
Operating expenses	90,957	19,621	21,267	131,845	169,328
Marketing materials	118,952			118,952	75,657
Other artistic expenses	116,524			116,524	140,930
Facility expenses	62,740	13,535	14,669	90,944	101,157
Depreciation expense	36,073	7,782	8,434	52,289	52,289
Guest services materials	44,774			44,774	48,966
Education department expenses	40,228			40,228	66,595
Development department expenses			17,968	17,968	23,180
Press and media relations	17,509			17,509	14,069
Production non-show expenses	12,273			12,273	8,323
Events			11,833	11,833	27,300
New play development	7,890			7,890	110
Front of house - materials	6,107			6,107	7,638
Board expenses		591		591	1,855
Artistic department expenses	195			195	599
Touring and co-production	125			125	4,346
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 2,168,036	\$ 174,922	\$ 197,245	\$ 2,540,203	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 1,804,127	\$ 303,092	\$ 162,042		\$ 2,269,261

The accompanying notes are an integral part of these financial statements.

BURNON, INC.
DBA RUBICON THEATRE COMPANY

STATEMENT OF CASH FLOWS
For the year ended September 30, 2020
With comparative totals for the year ended September 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 235,064	\$ 37,891
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	52,289	52,289
Reinvested investment earnings	(4,664)	(49)
(Increase) decrease in operating assets:		
Contributions receivable	(512,841)	(166,768)
Prepaid expenses and deposits	73,524	(60,906)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	6,034	88,375
Accrued vacation	1,173	288
Short-term advances	(71,150)	86,458
Deferred revenue	81,341	15,801
	(139,230)	53,379
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments - grants	2,877	8,572
	2,877	8,572
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(26,854)	(35,124)
Payments on line of credit	(2,599)	(2,430)
Proceeds from new borrowings	150,000	-
	120,547	(37,554)
NET (DECREASE) INCREASE IN CASH	(15,806)	24,397
CASH, BEGINNING OF YEAR	29,192	4,795
CASH, END OF YEAR	\$ 13,386	\$ 29,192
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest expense of:	\$ 33,547	\$ 55,210

The accompanying notes are an integral part of these financial statements.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

1. Organization

Burnon, Inc. dba Rubicon Theatre Company (“the Organization”) is a California non-profit corporation incorporated in 1998 whose mission is to entertain, enrich, and educate the region’s residents and visitors through the production of innovative professional theatre productions, festivals, special events, and education programs. The Organization has served over 42,000 students through its education outreach arm and has provided residents of Ventura and visitors with more than 140 main-stage productions of classic and contemporary dramas, comedies, and musicals, as well as new works.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

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:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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. At September 30, 2020, the Organization has net assets with donor restrictions of \$1,020,444.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Contributions Receivable

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 fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

The Organization is required to measure certain investments at fair value. The specific techniques used to measure fair value for the financial statement elements is described in the notes below that relate to the element.

Concentration of Credit Risks

The Organization places its temporary cash deposits with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization has not incurred losses related to these deposits.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five hundred dollars and the useful life is greater than one year.

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing the Organization's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncement

Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes, or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosures about revenue. The Organization has implemented Topic 606 and have adjusted the presentation in these financial statements accordingly.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization 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. Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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 of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 12, 2020, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. As part of liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has various sources of liquidity at its disposal, including cash and contributions receivable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, and fundraising. The Board of Directors meets regularly to review all financial aspects of the Organization.

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

As of September 30, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet its operational cash flow needs:

Cash	\$ 13,386
Contributions receivable	765,609
Less: Donor restricted assets – for use beyond one year	<u>(493,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$285,995</u>

4. Contributions Receivable

Unconditional promises to give (pledges receivable) that are expected to be collected in future years are measured on a non-recurring basis at the date of the pledge and recorded at the present value of their estimated future cash flows and collectability. Management deemed pledges fully collectible; accordingly, no allowance for doubtful accounts has been established for uncollectible pledges as of September 30, 2020. The discount on contributions receivable was calculated using a 1% interest rate and accordingly an unamortized discount on contributions receivable of \$11,666 was recorded. Contributions receivable of \$765,609 at September 30, 2020 are expected to be collected as follows:

<u>Year ending September 30,</u>	
2021	\$297,275
2022	252,500
2023	<u>227,500</u>
	777,275
Less: unamortized discount	<u>(11,666)</u>
Contributions receivable – net	<u>\$765,609</u>

5. Investments - VCCF

Investments at September 30, 2020 consist of pooled investments in the amount of \$58,217 at a community foundation (see Note 13).

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

Property and equipment at September 30, 2020 consist of the following:

Building and improvements	\$ 989,489
Land	380,000
Equipment	177,606
Leasehold improvements	137,076
Furniture and fixtures	<u>4,535</u>
	1,688,706
Less: accumulated depreciation	<u>(871,812)</u>
	<u>\$ 816,894</u>

Depreciation expense for the year ended September 30, 2020 was \$52,289.

7. Short-Term Advances

The Organization has received short term advances from Board members and others for cash flow purposes. A total of \$181,700 was received, \$113,350 was forgiven and \$139,500 was repaid during the fiscal year. The balance of short-term advances at September 30, 2020, was \$130,308.

8. Line of Credit

The Organization has a non-revolving line of credit with a bank, secured by a donor's pledged certificate of deposit. The outstanding balance was \$40,997 as of September 30, 2020 and carries an interest rate of 5.25%. The line is due and payable in January 2021.

9. Notes Payable

Notes payable at September 30, 2020 consist of the following:

Note payable to a bank, secured by real property, monthly payments of \$5,243, including interest at 3.25%, due January 2021.	\$ 807,159
U.S. Small Business Administration loan, secured by business assets, monthly payments of \$628, including interest at 2.75%, commencing in June 2021, due 2051.	150,000

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

9. Notes Payable, continued

Note payable to the City of Ventura, secured by real property, interest only monthly payments of \$250, future principal payments to resume upon agreement between the Organization and the City of Ventura.

74,839
\$1,031,998

Maturities for notes payable are as follows:

Year ending September 30,

2021	\$ 807,159
2022	659
2023	3,472
2024	3,569
2025	3,669
Thereafter	<u>213,470</u>
	<u>\$1,031,998</u>

10. Refundable Government Advance – Paycheck Protection Program

In April 2020, the Organization received a refundable government advance in the amount of \$158,300 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for advances to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The refundable government advance is forgivable after twenty-four weeks as long as the borrower uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization decided to use the proceeds for purposes consistent with the PPP under International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance. The Organization currently believes that its use of the proceeds met the conditions for forgiveness.

Revenue related to the refundable government advances - PPP for the year ended September 30, 2020 was \$158,300, which is reflected in the Statement of Activities as a restricted contribution.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

11. Net Assets With Donor Restrictions – Time or Purpose

Donor restricted net assets as of September 30, 2020 consist of:

Contributions receivable – Bridge Plan	\$682,500
Future season Jewel Club	123,000
Contributions receivable – other	94,775
Future season/show sponsors	<u>61,000</u>
	<u>\$961,275</u>

Net assets released from purpose restrictions and time restrictions were \$628,798 and \$142,000, respectively, for the year ended September 30, 2020.

12. Net Assets With Donor Restrictions – Perpetuity

Net assets which the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends therefrom may be expended for unrestricted purposes. At September 30, 2020, permanently restricted net assets were \$59,169.

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). Generally accepted accounting principles also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether the organization is subject to UPMIFA.

The Organization classifies as restricted net assets, (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in restricted net assets is classified as restricted net assets – time or purpose until those amounts are appropriated for expenditure by the Organization.

Changes in endowment net assets for the year ended September 30, 2020 are as follows:

Beginning at October 1, 2019	\$59,169
Change in value	2,887
Transfer - grants	<u>(2,877)</u>
Ending at September 30, 2020	<u>\$59,169</u>

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

13. Fair Value Measurements

The table below presents the balances of assets measures at fair value at September 30, 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investments at a community foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$58,217</u>	<u>\$58,217</u>

The fair value of pooled investments at a community foundation has been measured with estimates using the best information available when there is little or no market (Level 3 inputs).

The following table provides further details of the Level 3 fair value measurements:

Balance, beginning of year	\$56,430
Income - net	4,664
Withdrawals – grants	<u>(2,877)</u>
Balance, end of year	<u>\$58,217</u>

The table below present transactions measured at fair value on a non-recurring basis during the year ended September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions – current year	<u>\$ -</u>	<u>\$ -</u>	<u>\$777,275</u>	<u>\$777,275</u>

The fair value of pledged contributions – current year has been measured on a non-recurring basis using the value provided by the donor at the date of pledge and based on evaluating the credit worthiness of the donor (Level 3 inputs).

14. Impact of and Response to the COVID-19 Virus

Following the Ventura County and State “Safer at Home” order to close all non-essential business activities, the Organization has been conducting business activities under Safer at Home isolation protocols. Additionally, in 2020 the Organization applied for and received a Payroll Protection Program loan through the U.S. Small Business Administration (“SBA”) in the amount of approximately \$158,300 dollars, a SBA Economic Injury Disaster Loan (“EIDL”) of \$150,000, and a SBA EIDL advance of \$10,000.

The overall impact of the COVID-19 virus on the Organization cannot be foreseen at this time and is not reflected in these financial statements.