



BURNON, INC. DBA RUBICON THEATRE COMPANY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California
August 17, 2020

BURNON, INC.
DBA RUBICON THEATRE COMPANY

STATEMENT OF FINANCIAL POSITION

September 30, 2019

With comparative totals at September 30, 2018

	2019	2018
ASSETS		
Cash	\$ 29,192	\$ 4,795
Contributions receivable (Note 4)	252,768	86,000
Prepaid expenses and deposits	98,788	37,882
Investments - VCCF (Note 5)	56,430	64,953
Property and equipment (Note 6)	869,183	921,472
TOTAL ASSETS	\$ 1,306,361	\$ 1,115,102
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 253,932	\$ 155,448
Accrued liabilities	9,191	19,300
Accrued vacation	16,308	16,020
Deferred revenue - tickets and subscriptions	314,586	298,785
Short-term advances (Note 7)	201,458	115,000
Line of credit (Note 8)	43,596	46,026
Notes payable (Note 9)	908,852	943,976
TOTAL LIABILITIES	1,747,923	1,594,555
NET ASSETS		
Without donor restrictions	(868,131)	(731,406)
With donor restrictions		
Time or purpose (Note 10)	367,400	192,784
Perpetuity (Note 11)	59,169	59,169
TOTAL NET ASSETS	(441,562)	(479,453)
TOTAL LIABILITIES AND NET ASSETS	\$ 1,306,361	\$ 1,115,102

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, 2019
With comparative totals for the year ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUE AND SUPPORT				
Contributions	\$ 999,964	\$ 464,848	\$ 1,464,812	\$ 960,810
Ticket sales	702,729		702,729	627,904
Educational outreach	66,255		66,255	94,977
Other income	51,997	49	52,046	108,262
Co-producing and touring	21,310		21,310	38,358
Net assets released from restrictions (Note 10)	290,281	(290,281)	-	-
TOTAL REVENUE AND SUPPORT	2,132,536	174,616	2,307,152	1,830,311
EXPENSES				
Program services	1,804,127		1,804,127	1,581,759
General and administration	303,092		303,092	254,557
Fundraising	162,042		162,042	183,265
TOTAL EXPENSES	2,269,261	-	2,269,261	2,019,581
CHANGE IN NET ASSETS	(136,725)	174,616	37,891	(189,270)
NET ASSETS, BEGINNING OF YEAR	(731,406)	251,953	(479,453)	(290,183)
NET ASSETS, END OF YEAR	\$ (868,131)	\$ 426,569	\$ (441,562)	\$ (479,453)

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, 2019

With comparative totals for the year ended September 30, 2018

	Program Services	General and Administration	Fundraising	Total Expenses	
				2019	2018
Salaries	\$ 394,844	\$ 97,037	\$ 68,469	\$ 560,350	\$ 546,739
Payroll taxes and employee benefits	121,930	29,965	21,144	173,039	140,885
Total personnel costs	<u>516,774</u>	<u>127,002</u>	<u>89,613</u>	<u>733,389</u>	<u>687,624</u>
Production costs	403,023			403,023	231,741
Artists accommodations	267,353			267,353	255,967
Creative artists	171,829			171,829	126,381
Other expenses	75,028	46,361	43,589	164,978	194,106
Other artistic expenses	141,529			141,529	147,268
Advertising and promotion	97,364			97,364	123,843
Office expenses		67,208	5,999	73,207	50,140
Interest	38,903	9,561	6,746	55,210	40,037
Depreciation and amortization	36,845	9,055	6,389	52,289	52,289
Occupancy	35,857	8,812	6,218	50,887	66,152
Information technology		23,436		23,436	16,333
Insurance	14,977	3,597	2,597	21,171	22,075
Accounting		8,020		8,020	3,545
Travel	4,645	40	891	5,576	560
Professional fees				-	1,520
TOTAL 2019 FUNCTIONAL EXPENSES	<u>\$ 1,804,127</u>	<u>\$ 303,092</u>	<u>\$ 162,042</u>	<u>\$ 2,269,261</u>	
TOTAL 2018 FUNCTIONAL EXPENSES	<u>\$ 1,581,759</u>	<u>\$ 254,557</u>	<u>\$ 183,265</u>		<u>\$ 2,019,581</u>

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, 2019
With comparative totals for the year ended September 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 37,891	\$ (189,270)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	52,289	52,289
Reinvested investment earnings	(49)	(3,325)
(Increase) decrease in operating assets:		
Contributions receivable	(166,768)	177,300
Prepaid expenses and deposits	(60,906)	7,879
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	88,375	1,148
Accrued vacation	288	(12,408)
Short-term advances	86,458	8,000
Deferred revenue	15,801	(33,536)
	53,379	8,077
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments - grants	8,572	-
	8,572	-
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(35,124)	(33,699)
Payments on line of credit	(2,430)	(2,304)
	(37,554)	(36,003)
NET CASH (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	24,397	(27,926)
CASH, BEGINNING OF YEAR	4,795	32,721
CASH, END OF YEAR	\$ 29,192	\$ 4,795
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest expense of:	\$ 55,210	\$ 40,037

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, 2019, the Organization has net assets with donor restrictions of \$426,618.

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.

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, 2018, from which the summarized information was derived.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. The Organization's financial statements for the year ended September 30, 2019 are presented in accordance with ASU 2016-14.

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.

As of September 30, 2019, 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	\$ 29,192
Contributions receivable	252,768
Less: Donor restricted assets – for use beyond one year	<u>(75,500)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$206,460</u>

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

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, 2019. The discount on contributions receivable is immaterial, accordingly an unamortized discount on contributions receivable is not recorded. Contributions receivable of \$252,768 at September 30, 2019 are expected to be collected within one to three years.

5. Investments - VCCF

Investments at September 30, 2019 consist of pooled investments in the amount of \$56,430 at a community foundation (see Note 12).

6. Property and Equipment

Property and equipment at September 30, 2019 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>(819,523)</u>
	<u>\$ 869,183</u>

Depreciation expense for the year ended September 30, 2019 was \$52,289.

7. Short-Term Advances

The Organization has received short term advances from Board members and employees for cash flow purposes. A total of \$227,958 was received, \$16,500 was forgiven and \$125,000 was repaid during the fiscal year. The balance of short-term advances at September 30, 2019, was \$201,458.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

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 \$43,596 as of September 30, 2019 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, 2019 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.	\$834,013
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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.	<u>74,839</u>
	<u>\$908,852</u>

Maturities for notes payable are as follows:

<u>Year ending September 30,</u>	
2020	\$ 36,370
2021	797,643
Thereafter	<u>74,839</u>
	<u>\$908,852</u>

10. Net Assets With Donor Restrictions – Time or Purpose

Donor restricted net assets as of September 30, 2019 consist of:

Future season/show sponsors	\$117,500
Future season Jewel Club	107,900
Contributions receivable	<u>142,000</u>
	<u>\$367,400</u>

Net assets released from purpose restrictions and time restrictions were \$172,000 and \$118,281, respectively, for the year ended September 30, 2019.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

11. 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, 2019, 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, 2019 are as follows:

	Purpose Restrictions	Perpetuity Restrictions	Total
Beginning at October 1, 2018	\$ 5,784	\$59,169	\$64,953
Change in value	49		49
Transfer - grants	<u>(5,833)</u>	<u>(2,739)</u>	<u>(8,572)</u>
Ending at September 30, 2019	<u>\$ -</u>	<u>\$56,430</u>	<u>\$56,430</u>

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

12. Fair Value Measurements

The table below presents the balances of assets measures at fair value at September 30, 2019 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>\$56,430</u>	<u>\$56,430</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	\$64,953
Income - net	49
Withdrawals – grants	<u>(8,572)</u>
Balance, end of year	<u>\$56,430</u>

13. Subsequent Events

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 Loan through the U.S. Small Business Administration in the amount of approximately \$168,000 dollars. 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.

Management has evaluated subsequent events through August 17, 2020, the date which the financial statements were available for issue. Except as noted above. No other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

Short Term Advances

Subsequent to the year ended September 30, 2019, the Organization received and repaid and recognized as donor contributions additional short-term advances. The balance of short-term advances through the date of this report is \$201,458.