

BURNON, INC. DBA RUBICON THEATRE COMPANY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Burnon, Inc. dba Rubicon Theatre Company, which comprise the Statement of Financial Position as of September 30, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

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, 2023 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Burnon, Inc. dba Rubicon Theatre Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Burnon, Inc. dba Rubicon Theatre Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Burnon, Inc. dba Rubicon Theatre Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Burnon, Inc. dba Rubicon Theatre Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited Burnon, Inc. dba Rubicon Theatre Company's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California
March 21, 2024

BURNON, INC.
DBA RUBICON THEATRE COMPANY

STATEMENT OF FINANCIAL POSITION

September 30, 2023

With comparative totals at September 30, 2022

	2023	2022
ASSETS		
Cash	\$ 11,848	\$ 24,540
Contributions receivable (Note 4)	123,316	366,460
Contribution receivable - legacy gift (Note 4)	952,365	952,365
Prepaid expenses and deposits	68,605	73,516
Investments - VCCF (Note 5)	54,269	52,443
Property and equipment (Note 6)	2,184,496	3,195,376
Right-of-use assets - operating leases (Note 10)	26,138	-
TOTAL ASSETS	\$ 3,421,037	\$ 4,664,700
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 304,905	\$ 90,129
Accrued liabilities	4,818	3,376
Accrued vacation	17,802	21,946
Deferred revenue - tickets and subscriptions	297,508	241,522
Short-term advances (Note 7)	90,200	205,000
Line of credit (Note 8)	589,410	100,000
Notes payable (Note 9)	1,758,797	2,783,806
Right-of-use liabilities - operating leases (Note 10)	26,138	-
TOTAL LIABILITIES	3,089,578	3,445,779
NET ASSETS		
Without donor restrictions	(803,391)	(159,073)
With donor restrictions		
Time or purpose (Note 11)	1,075,681	1,318,825
Perpetuity (Note 12)	59,169	59,169
TOTAL NET ASSETS	331,459	1,218,921
TOTAL LIABILITIES AND NET ASSETS	\$ 3,421,037	\$ 4,664,700

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, 2023
With comparative totals for the year ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
REVENUE AND SUPPORT				
Contributions	\$ 1,392,668	\$ 9,000	\$ 1,401,668	\$ 2,311,655
Ticket sales	706,423		706,423	344,796
Educational outreach	79,610		79,610	59,809
Co-producing and touring	39,059		39,059	28,625
Other income	23,972		23,972	6,328
Employee retention credit refund	2,227		2,227	148,434
Net assets released from restrictions (Note 12)	252,144	(252,144)	-	-
TOTAL REVENUE AND SUPPORT	2,496,103	(243,144)	2,252,959	2,899,647
EXPENSES				
Program services	2,998,265		2,998,265	1,742,439
General and administration	405,177		405,177	309,424
Fundraising	318,554		318,554	417,498
TOTAL EXPENSES	3,721,996	-	3,721,996	2,469,361
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(1,225,893)	(243,144)	(1,469,037)	430,286
OTHER CHANGES				
Gain on sale of property and equipment	581,575		581,575	-
CHANGE IN NET ASSETS AFTER OTHER CHANGES	(644,318)	(243,144)	(887,462)	430,286
NET ASSETS, BEGINNING OF YEAR	(159,073)	1,377,994	1,218,921	788,635
NET ASSETS, END OF YEAR	\$ (803,391)	\$ 1,134,850	\$ 331,459	\$ 1,218,921

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, 2023
With comparative totals for the year ended September 30, 2022

	Program Services	General and Administration	Fundraising	Total Expenses	
				2023	2022
Salaries	\$ 586,631	\$ 189,729	\$ 98,119	\$ 874,479	\$ 606,341
Payroll taxes and employee benefits	203,250	65,735	33,995	302,980	159,652
Total personnel costs	789,881	255,464	132,114	1,177,459	765,993
Show expenses - main stage	479,496			479,496	219,290
Artistic talent	442,483			442,483	151,815
Operating expenses	254,003	82,150	42,484	378,637	260,081
Other artistic expenses	302,634			302,634	155,116
Facility expenses	173,827	56,219	29,074	259,121	316,911
Creative artists	209,597			209,597	156,755
Education department expenses	136,685			136,685	123,546
Events			97,304	97,304	20,808
Marketing materials	77,521			77,521	91,831
Guest services materials	56,233			56,233	40,754
Depreciation expense	35,074	11,344	5,866	52,284	52,284
Front of house - materials	16,291			16,291	10,404
Press and media relations	15,837			15,837	13,708
Development department expenses			11,711	11,711	21,284
Presented events	4,221			4,221	-
Artistic department expenses	2,843			2,843	1,901
Production non-show expenses	1,409			1,409	8,337
New play development	153			153	55,360
Touring and co-production	77			77	3,183
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 2,998,265	\$ 405,177	\$ 318,554	\$ 3,721,996	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 1,742,439	\$ 309,424	\$ 417,498		\$ 2,469,361

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, 2023
With comparative totals for the year ended September 30, 2022

	2023	2022
CASH FLOWS (TO) FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (887,462)	\$ 430,286
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	52,284	52,284
(Gain) loss on investments	(4,774)	10,173
(Gain) on sale of property and equipment	(581,575)	-
(Increase) decrease in operating assets:		
Contributions receivable	243,144	(720,243)
Prepaid expenses and deposits	4,911	(24,441)
Amortization of right-of-use assets, operating leases	7,419	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	216,218	73,162
Accrued vacation	(4,144)	3,316
Short-term advances	(114,800)	180,000
Deferred revenue	55,986	118,970
Reduction of lease liability, operating leases	(7,419)	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(1,020,212)	123,507
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Purchase of property and equipment	(54,829)	(266,792)
Proceeds from sale of property and equipment	685,942	-
Proceeds from the sale of investments	2,948	2,963
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	634,061	(263,829)
CASH FLOWS (TO) FROM FINANCING ACTIVITIES:		
Payments on notes payable	(115,951)	(44,358)
Proceeds from new borrowings - line of credit	520,000	100,000
Payments on line of credit	(30,590)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	373,459	55,642
NET (DECREASE) IN CASH	(12,692)	(84,680)
CASH, BEGINNING OF YEAR	24,540	109,220
CASH, END OF YEAR	\$ 11,848	\$ 24,540
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflect interest expense of:	\$ 131,756	\$ 74,653
Acquisition of real property with a note payable	\$ -	\$ 340,000
Payoff a note payable from sale of real property	\$ 909,058	\$ -
NON-CASH OPERATING ACTIVITIES:		
Right-of-use assets and lease liabilities - operating upon adoption of ASC 842	\$ 33,557	\$ -

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 reached approximately 530,000 attendees and has produced more than 165 mainstage classic and contemporary dramas, comedies and musicals, including world premieres. More than 52,000 students have participated in the Organization’s education outreach programs.

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, 2023, the Organization has net assets with donor restrictions of \$1,134,850.

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.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

The Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date. As a result of implementing ASU No. 2016-02, the Organization recognized Right-of-Use (“ROU”) assets of \$33,557 and lease liabilities totaling \$33,557 in its Statement of Financial Position as of October 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended September 30, 2023.

Leases

The Organization applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. The Organization defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. The Organization further determined an existing lease is an operating lease, which is included in ROU assets and lease liabilities in the Statement of Financial Position.

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, 2022, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through March 21, 2024, 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.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO 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.

As of September 30, 2023, 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	\$ 11,848
Contributions receivable	<u>123,316</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$135,164</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, 2023. The discount on contributions receivable was calculated as immaterial and accordingly no unamortized discount on contributions receivable was recorded. Contributions receivable of \$123,316 at September 30, 2023 are expected to be collected as follows:

<u>Year ending September 30,</u>	
2024	\$ 76,309
2025	44,057
2026	<u>2,950</u>
Contributions receivable – net	<u>\$123,316</u>

Contribution receivable – legacy gift

The Organization received an irrevocable estate gift from a donor in the amount of \$1,200,000 in 2022. The gift was valued at its present value of \$952,365 using a life expectancy of 13.1% for the surviving spouse and a discount rate of 1.78% as of September 30, 2023.

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

5. Investments – Ventura County Community Foundation

Investments at September 30, 2023 consist of pooled investments in the amount of \$54,269 at a community foundation (see Note 12).

6. Property and Equipment

Property and equipment at September 30, 2023 consist of the following:

Buildings and improvements	\$ 989,489
Land	974,033
Equipment	978,512
Leasehold improvements	137,076
Furniture and fixtures	<u>11,306</u>
	3,090,416
Less: accumulated depreciation	<u>(905,920)</u>
	<u>\$2,184,496</u>

Depreciation expense for the year ended September 30, 2023 was \$52,284.

7. Short-Term Advances

The Organization has received short term advances from Board members and others for cash flow purposes. A total of \$626,246 was received and \$741,046 was repaid during the fiscal year. The balance of short-term advances at September 30, 2023, was \$90,200.

8. Line of Credit

The Organization has a line of credit from a bank in the amount of \$100,000 with an interest rate at 6.75%. The line of credit is secured by real property and requires monthly interest payments only with the principal due March 05, 2026. The balance at September 30, 2023 was \$100,000.

The organization has a line of credit from Montecito Bank & Trust in the amount of \$500,000 with an interest rate at 9.25%. At September 30, 2023, the outstanding balance on the line of credit was \$489,410.

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

9. Notes Payable

Notes payable at September 30, 2023 consist of the following:

Note payable to a bank, secured by real property, monthly payments of \$5,492, including interest at 3.75%, due March 2031. \$ 994,128

U.S. Small Business Administration (“SBA”) loan, secured by business assets, monthly payments of \$2,202, including interest at 2.75%, commencing in August 2022, due 2052. 477,980

Note payable to a bank, secured by real property, monthly payments of \$5,243, including interest at 4.50%, due November 2027. 286,689
\$1,758,797

Maturities for notes payable are as follows:

<u>Year ending September 30,</u>	
2024	\$ 108,429
2025	109,900
2026	111,423
2027	113,000
2028	69,282
Thereafter	<u>1,246,763</u>
	<u>\$1,758,797</u>

10. Right-of-Use Assets and Liabilities – Operating Leases

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization’s right to use underlying assets for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization used the rate implicit in the lease, if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses the risk-free rate of return at the lease commencement date to determine the present value of the future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Organization’s operating leases consist of copiers leases. The ROU assets and lease liabilities for these leases were determined based on the current terms in force as of September 30, 2023. No additional options have been included.

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

10. Right-of-Use Assets and Liabilities – Operating Leases, continued

The weighted average of remaining lease terms and weighted average of discount rate for operating leases as of September 30, 2023 were 39 months and 3.9%, respectively.

Cash paid for the operating leases for the year ended September 30, 2023 was \$8,728. There were no non-cash financing transactions related to leasing during the year ended September 30, 2023.

Future maturities under operating leases are as follows:

<u>Year ending September 30,</u>	
2024	\$ 8,728
2025	8,728
2026	8,728
2027	<u>2,180</u>
Subtotal	28,364
Less: present value discount	<u>(2,226)</u>
	<u>\$26,138</u>

The underlying ROU assets related to the above liabilities are as follows:

ROU asset balance at October 1, 2022	\$33,557
Less: amortization of leased assets	<u>(7,419)</u>
ROU asset balance at September 30, 2023	<u>\$26,138</u>

Lease expense under operating leases for the year ended September 30, 2023 was \$8,728.

The above maturities reflect rental agreements in effect as of September 30, 2023. The Organization continually renegotiates its lease agreements; therefore, future maturity amounts may change.

11. Net Assets With Donor Restrictions – Purpose

Donor restricted net assets as of September 30, 2023 consist of:

Legacy pledge	\$ 952,365
Contributions receivable – Bridge Plan	98,860
Contributions receivable – Take Your Seat	24,156
Contributions receivable – other	<u>300</u>
	<u>\$1,075,681</u>

Net assets released from purpose restrictions was \$252,144 for the year ended September 30, 2023.

continued

BURNON, INC. DBA RUBICON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

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, 2023, net assets with donor restrictions in perpetuity were \$59,169.

At September 30, 2023, the net assets with donor restrictions in perpetuity had a contributed value of \$59,169 and a fair market value of \$54,269.

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, 2023 are as follows:

Beginning at October 1, 2022	\$52,443
Change in value	<u>1,826</u>
Ending at September 30, 2023	<u>\$54,269</u>

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, 2023 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>\$54,269</u>	<u>\$54,269</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	\$52,443
Change in value	4,774
Withdrawals – grants	<u>(2,948)</u>
Balance, end of year	<u>\$54,269</u>

The table below present transactions measured at fair value on a non-recurring basis during the year ended September 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions – current year	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,000</u>	<u>\$9,000</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).