

BELCOURT THEATRE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2021 AND 2020

BELCOURT THEATRE, INC.
NASHVILLE, TENNESSEE
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ADDITIONAL INFORMATION
AND
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DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Belcourt Theatre, Inc.
Nashville, Tennessee

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Belcourt Theatre, Inc. (the "Belcourt"), which comprise the statements of financial position as of December 31, 2021, and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Belcourt Theatre, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Belcourt and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 the Belcourt's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITOR'S 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 auditor's 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 GAAS and *Government 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, internal omissions, misrepresentations, or the override of internal control. Misstatements 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.

In performing an audit in accordance with GAAS and *Government 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 the Belcourt'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 the Belcourt'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.

REPORT ON SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Belcourt Theatre, Inc. taken as a whole. The other additional information on pages 20-21 is presented for additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on pages 20-21, as required by Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information on pages 20-21 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 20-21 is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022 on our consideration of Belcourt Theatre, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Belcourt Theatre, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Belcourt Theatre, Inc.'s internal control over financial reporting and compliance.

Kraft CPAs PLLC

Nashville, Tennessee
June 27, 2022

BELCOURT THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 3,191,652	\$ 1,149,894
Accounts receivable	14,616	19,910
Contributions receivable	28,141	27,292
Grants receivable	104,300	149,954
Inventory	18,064	18,064
Prepaid expenses	3,199	3,199
Property and equipment, net	5,504,314	5,786,467
Capital campaign assets:		
Cash	36,810	131,526
Contributions receivable, net	<u>8,474</u>	<u>27,143</u>
TOTAL ASSETS	<u>\$ 8,909,570</u>	<u>\$ 7,313,449</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 112,656	\$ 38,873
Future box office sales and deposits	15,657	16,524
Other current liabilities	54,560	47,464
Notes payable, net	<u>1,460,577</u>	<u>1,496,738</u>
TOTAL LIABILITIES	<u>1,643,450</u>	<u>1,599,599</u>
NET ASSETS		
Net assets without donor restrictions:		
Invested in property and equipment, net of related debt	4,043,737	4,289,729
Undesignated	<u>3,208,711</u>	<u>1,219,280</u>
Total net assets without donor restrictions	7,252,448	5,509,009
Net assets with donor restrictions	<u>13,672</u>	<u>204,841</u>
TOTAL NET ASSETS	<u>7,266,120</u>	<u>5,713,850</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,909,570</u>	<u>\$ 7,313,449</u>

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

BELCOURT THEATRE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	<u>NET ASSETS WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
OPERATING REVENUES			
Box office sales	\$ 702,209	\$ -	\$ 702,209
Concession sales	327,860	-	327,860
Facility rental income	101,311	-	101,311
TOTAL OPERATING REVENUES	<u>1,131,380</u>	<u>-</u>	<u>1,131,380</u>
PROGRAM SERVICES - OPERATING COSTS AND EXPENSES			
Theatre	1,902,704	-	1,902,704
Concession	368,850	-	368,850
TOTAL PROGRAM SERVICES - OPERATING COSTS AND EXPENSES	<u>2,271,554</u>	<u>-</u>	<u>2,271,554</u>
LOSS FROM OPERATIONS	<u>(1,140,174)</u>	<u>-</u>	<u>(1,140,174)</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions, memberships and foundation grants	767,300	-	767,300
Grants	2,185,322	-	2,185,322
Fundraising event revenues	94,978	-	94,978
Miscellaneous	6,060	-	6,060
Net assets released resulting from satisfaction of donor restrictions	191,169	(191,169)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>3,244,829</u>	<u>(191,169)</u>	<u>3,053,660</u>
SUPPORTING SERVICES			
Management and general	207,143	-	207,143
Fundraising	154,073	-	154,073
TOTAL SUPPORTING SERVICES	<u>361,216</u>	<u>-</u>	<u>361,216</u>
CHANGE IN NET ASSETS	1,743,439	(191,169)	1,552,270
NET ASSETS - BEGINNING OF YEAR	<u>5,509,009</u>	<u>204,841</u>	<u>5,713,850</u>
NET ASSETS - END OF YEAR	<u>\$ 7,252,448</u>	<u>\$ 13,672</u>	<u>\$ 7,266,120</u>

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

BELCOURT THEATRE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	<u>NET ASSETS WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
OPERATING REVENUES			
Box office sales	\$ 402,884	\$ -	\$ 402,884
Concession sales	162,881	-	162,881
Facility rental income	42,408	-	42,408
TOTAL OPERATING REVENUES	<u>608,173</u>	<u>-</u>	<u>608,173</u>
PROGRAM SERVICES - OPERATING COSTS AND EXPENSES			
Theatre	1,625,993	-	1,625,993
Concession	292,911	-	292,911
TOTAL PROGRAM SERVICES - OPERATING COSTS AND EXPENSES	<u>1,918,904</u>	<u>-</u>	<u>1,918,904</u>
LOSS FROM OPERATIONS	<u>(1,310,731)</u>	<u>-</u>	<u>(1,310,731)</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions, memberships and foundation grants, net	654,549	250,000	904,549
Grants	691,509	-	691,509
Fundraising event revenues	116,806	-	116,806
Miscellaneous	5,529	-	5,529
Net assets released resulting from satisfaction of donor restrictions	216,365	(216,365)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>1,684,758</u>	<u>33,635</u>	<u>1,718,393</u>
SUPPORTING SERVICES			
Management and general	204,439	-	204,439
Fundraising	179,554	-	179,554
TOTAL SUPPORTING SERVICES	<u>383,993</u>	<u>-</u>	<u>383,993</u>
CHANGE IN NET ASSETS	(9,966)	33,635	23,669
NET ASSETS - BEGINNING OF YEAR	<u>5,518,975</u>	<u>171,206</u>	<u>5,690,181</u>
NET ASSETS - END OF YEAR	<u>\$ 5,509,009</u>	<u>\$ 204,841</u>	<u>\$ 5,713,850</u>

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

BELCOURT THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		
	<u>THEATRE OPERATING COSTS</u>	<u>CONCESSION OPERATING COSTS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND - RAISING</u>	<u>TOTAL</u>
Salaries, payroll taxes and employee benefits	\$ 860,966	\$ 185,439	\$ 158,948	\$ 119,211	\$ 1,324,564
Advertising and marketing	100,581	-	-	10,379	110,960
Bad debt expense	15,962	-	-	-	15,962
Bank charges and credit card fees	43,077	13,210	1,147	-	57,434
Beer, popcorn, water, soda, wine, liquor, etc.	-	108,482	-	-	108,482
Box office expenses	97,657	-	-	-	97,657
Concession supplies	-	20,279	-	-	20,279
Depreciation and amortization	278,563	8,949	2,304	-	289,816
Education	2,867	-	-	-	2,867
Facilities upkeep	26,093	5,590	2,796	2,796	37,275
Film distribution fees	272,463	-	-	-	272,463
Insurance	18,412	246	5,892	-	24,550
Interest	41,409	8,873	4,437	4,436	59,155
Licenses and permits	13,111	1,500	-	-	14,611
Membership expenses	10,128	-	-	-	10,128
Professional fees	28,601	1,144	26,884	572	57,201
Red Carpet Event	-	-	-	11,944	11,944
Supplies, printing and postage	42,581	5,668	-	-	48,249
Travel and entertainment	6,041	-	-	-	6,041
Utilities	44,192	9,470	4,735	4,735	63,132
Total	<u>\$ 1,902,704</u>	<u>\$ 368,850</u>	<u>\$ 207,143</u>	<u>\$ 154,073</u>	<u>\$ 2,632,770</u>

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

BELCOURT THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
	<u>THEATRE OPERATING COSTS</u>	<u>CONCESSION OPERATING COSTS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND - RAISING</u>	
Salaries, payroll taxes and employee benefits	\$ 862,908	\$ 185,857	\$ 159,306	\$ 119,480	\$ 1,327,551
Advertising and marketing	24,298	-	-	8,153	32,451
Bank charges and credit card fees	32,340	9,918	862	-	43,120
Beer, popcorn, water, soda, wine, liquor, etc.	-	51,176	-	-	51,176
Box office expenses	44,887	-	-	-	44,887
Concession supplies	-	9,087	-	-	9,087
Depreciation and amortization	318,459	13,381	2,304	-	334,144
Education	1,428	-	-	-	1,428
Equipment purchase	3,425	612	-	-	4,037
Equipment rental	908	-	326	-	1,234
Equipment repairs	-	119	-	-	119
Facilities upkeep	13,338	3,055	1,567	1,893	19,853
Film distribution fees	131,574	-	-	-	131,574
Insurance	23,448	313	7,504	-	31,265
Interest	42,754	9,162	4,581	4,580	61,077
Licenses and permits	10,972	-	-	-	10,972
Membership expenses	10,073	-	-	-	10,073
Professional fees	25,171	1,928	23,838	373	51,310
Red Carpet Event	-	-	-	39,031	39,031
Supplies, printing and postage	29,262	-	-	1,893	31,155
Travel and entertainment	12,000	-	-	-	12,000
Utilities	38,748	8,303	4,151	4,151	55,353
Total	<u>\$ 1,625,993</u>	<u>\$ 292,911</u>	<u>\$ 204,439</u>	<u>\$ 179,554</u>	<u>\$ 2,302,897</u>

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

BELCOURT THEATRE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,552,270	\$ 23,669
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	287,431	327,768
Amortization of loan origination costs	2,385	6,376
Bad debt expense	15,962	-
Contributions for capital campaign, net of present value discount	-	(2,935)
(Increase) decrease in:		
Accounts receivable	5,294	(1,601)
Contributions receivable	(849)	(11,099)
Grants receivable	45,654	(16,454)
Inventory	-	(2,511)
Prepaid expenses	-	6,973
Increase (decrease) in:		
Accounts payable and accrued expenses	73,783	(80,902)
Future box office sales and deposits	(867)	(48,508)
Other current liabilities	7,096	3,231
TOTAL ADJUSTMENTS	<u>435,889</u>	<u>180,338</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,988,159</u>	<u>204,007</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(5,278)</u>	<u>(33,912)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,278)</u>	<u>(33,912)</u>
FINANCING ACTIVITIES		
Collections for capital campaign	2,707	119,300
Principal payments on notes payable	<u>(38,546)</u>	<u>(65,487)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(35,839)</u>	<u>53,813</u>
INCREASE IN CASH	1,947,042	223,908
CASH - BEGINNING OF YEAR	<u>1,281,420</u>	<u>1,057,512</u>
CASH - END OF YEAR	<u>\$ 3,228,462</u>	<u>\$ 1,281,420</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest expense paid	<u>\$ 59,155</u>	<u>\$ 71,731</u>
NON-CASH TRANSACTIONS		
Consolidation of notes payable	<u>\$ -</u>	<u>\$ 1,496,738</u>

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

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE 1 - GENERAL

Belcourt Theatre, Inc. (the “Belcourt”), is a Tennessee not-for-profit corporation chartered in February 1999. The Belcourt was organized to preserve and operate the Belcourt Theatre, built in 1925, in its historical role as a home for film, theatre, music and community events. The Belcourt receives operating revenues from box office and concession sales, facility rentals and membership fees, and public support funding from state and local government grants, foundation and private contributions and special events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Belcourt have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Belcourt to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Belcourt’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Belcourt or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no donor restrictions that are perpetual in nature.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Public Support and Other Revenues

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Other Revenues (Continued)

Any gifts of equipment, facilities or materials are reported as net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Grants awarded by federal, state and other sponsors are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the statements of financial position.

Fundraising event revenues are generated from sponsorships, ticket sales, donations, silent auction proceeds and sales of items at events held during the year. Revenues are recognized when the events occur, which fulfills the Belcourt's performance obligation. Some of these revenues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the amount paid and the exchange element. The Belcourt records fundraising event revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

Donated Goods and Services

Donated marketable securities are recorded at their fair value at the date of contribution based on their quoted market price.

Donated facilities and materials are recorded as gifts in the period received at fair value if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Belcourt if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Belcourt in implementing various programs and exhibits. The value of contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Cash

Cash consists principally of checking account balances.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is reported in the accompanying statements of financial position at the lower of cost or net realizable value with cost determined on a first-in, first out (“FIFO”) basis. Inventory consists of concession items including candy, popcorn, soft drinks, alcoholic beverages and miscellaneous other items.

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or at estimated fair value at the date of gift to the Belcourt. The Belcourt’s policy is to capitalize purchases with a cost of \$2,000 or more and an estimated useful life greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from five to ten years for equipment, furniture, and equipment and fifteen to thirty years for building and improvements. Land is not considered a depreciable asset; therefore, a useful life is not assigned.

Debt Issue Costs

Debt issue costs are shown net of the related debt. Debt issue costs are amortized using the straight-line method, which approximates the effective interest method, apportioned over the life of the related debt facility. Amortization expense related to debt issue costs totaled \$2,385 for the year ended December 31, 2021 (\$6,376 for 2020) and is reported as theatre operating costs in the statement of activities. Amortization of debt issuance costs will be \$2,385 each year through 2025.

Advertising and Marketing Costs

The Belcourt expenses advertising and marketing costs as they are incurred. Advertising and marketing expense totaled \$110,960 for the year ended December 31, 2021 (\$32,451 for 2020).

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - includes the operation of three separate theaters and an education space. Seating capacity between the three theatres is 622 and the core programming is independent, documentary, world, and repertory cinema as well as film education programs for adults and children. Film programming is intentionally diverse and designed to reach audiences from throughout the community including, in part, under-served and international communities.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services

Management and General - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include creation and distribution of fundraising materials.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses allocated based on estimates of time, effort or usage includes salaries, payroll taxes and employee benefits, advertising and marketing, bank charges and credit card fees, depreciation; facilities upkeep, insurance, interest, licenses and permits, miscellaneous expense, professional fees, supplies, printing and postage, and utilities.

Income Taxes

The Belcourt qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided. The Belcourt files U.S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Belcourt's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Authoritative Guidance

In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. Accounting Standards Update (“ASU”) 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Belcourt beginning on January 1, 2022. The Belcourt is currently evaluating the impact of this new guidance on its financial statements.

Events Occurring After Reporting Date

The Belcourt has evaluated events and transactions that occurred between December 31, 2021 and June 27, 2022, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Belcourt's financial assets at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 3,228,462	\$ 1,281,420
Accounts receivable	14,616	19,910
Contributions receivable, net	28,141	27,292
Campaign contributions receivable, net	8,474	27,143
Grants receivable	<u>104,300</u>	<u>149,954</u>
Total financial assets	<u>3,383,993</u>	<u>1,505,719</u>
Less amounts not available to be used within one year:		
Cash collected from capital campaign for debt repayment	(36,810)	(131,526)
Restricted by donor with time or purpose restrictions	<u>(13,672)</u>	<u>(204,841)</u>
	<u>(50,482)</u>	<u>(336,367)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,333,511</u>	<u>\$ 1,169,352</u>

As part of the Belcourt's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4 - CONTRACT BALANCES

The following table summarizes activity related to contracts with customers as of December 31:

	<u>Accounts receivable</u>		<u>Future box office sales and deposits</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning of year	<u>\$ 19,910</u>	<u>\$ 18,309</u>	<u>\$ 16,524</u>	<u>\$ 65,032</u>
End of year	<u>\$ 14,616</u>	<u>\$ 19,910</u>	<u>\$ 15,657</u>	<u>\$ 16,524</u>

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable for operating purposes are due in less than one year and amounted to \$28,141 as of December 31, 2021 (\$27,292 as of December 31, 2020).

Capital campaign contributions receivable consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 8,474	\$ 21,394
Due in one to five years	<u>-</u>	<u>5,749</u>
Total	<u>\$ 8,474</u>	<u>\$ 27,143</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 210,000	\$ 210,000
Building and improvements	6,883,224	6,883,224
Equipment:		
Theatre	603,588	598,310
Concession	84,271	84,271
Office	19,927	19,927
Furniture and fixtures	<u>340,653</u>	<u>340,653</u>
	8,141,663	8,136,385
Less: accumulated depreciation	<u>(2,637,349)</u>	<u>(2,349,918)</u>
	<u>\$ 5,504,314</u>	<u>\$ 5,786,467</u>

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Promissory note - interest at a fixed rate (3.95% at December 31, 2021) on outstanding principal, with principal and interest due in monthly installments of \$7,907 and a final payment of remaining principal and interest due December 2025; secured by substantially all of the Belcourt's assets.	<u>\$ 1,470,115</u>	<u>\$ 1,508,661</u>
	1,470,115	1,508,661
Less: unamortized debt issue costs	<u>(9,538)</u>	<u>(11,923)</u>
	<u>\$ 1,460,577</u>	<u>\$ 1,496,738</u>

The loan agreement requires Belcourt to meet certain financial and nonfinancial covenants. On December 31, 2021, Belcourt was in compliance with its covenants.

The following is a summary by year of the principal maturities of the note payable as of December 31, 2021:

Year ending December 31,

2022	\$ 37,045
2023	38,556
2024	39,973
2025	<u>1,354,541</u>
Total	<u>\$ 1,470,115</u>

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
<u>Purpose restrictions:</u>		
Research project on Grand Ole Opry	\$ 5,198	\$ 5,198
HCA Education and Engagement grant	-	15,000
Coolidge Corner Science on Screen grant	-	7,500
	<u>5,198</u>	<u>27,698</u>
<u>Time restrictions:</u>		
Amazon COVID relief assistance	-	150,000
Capital campaign for renovation of building	<u>8,474</u>	<u>27,143</u>
	<u>\$ 13,672</u>	<u>\$ 204,841</u>

NOTE 9 - CONCENTRATIONS OF RISK

The Belcourt maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits. The Belcourt’s cash balances may, at times, exceed statutory limits. The Belcourt has not experienced any losses in such accounts and management considers this to be a normal operating risk.

Contributions received from two sources comprised approximately 36% of total contributions, memberships and foundation grants received for the year ended December 31, 2020. There were no contributions concentrations for the year ended December 31, 2021.

The Belcourt received approximately 44% of its funding from federal grants for the year ended December 31, 2021. There were no grant concentrations for the year ended December 31, 2020.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021 AND 2020

NOTE 10 - COVID - 19 PANDEMIC AND 2021 OPERATIONS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Belcourt operates.

In response to the pandemic and related orders of the Metropolitan Government of Nashville and Davidson County and the Governor of Tennessee, the Belcourt closed the theatre to patrons in March 2020, and began offering at-home movie rentals, online virtual seminars, weekly meetings and watch parties. The Belcourt’s operations are dependent on contributions and grants, admission-related revenues, memberships and rental fees, and the pandemic has resulted in significant declines in revenues during the closure period.

In 2021, the Belcourt received a Shuttered Venue Operators Grant (“SVOG”) in the amount of \$1,297,180, which included both an initial and a supplemental award. This award, established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and amended by the American Rescue Plan Act, was to assist eligible entities who, in general, illustrated a loss of gross revenues in certain quarters of 2020 as compared to the same quarter(s) in 2019. This award was considered a conditional grant and was recognized as revenue in the year awarded to the extent qualified expenditures have been incurred. For the year ended December 31, 2021, \$1,297,180 of grant revenue from the SVOG was recorded.

NOTE 11 - PAYCHECK PROTECTION PROGRAM

In response to the COVID-19 pandemic, the Paycheck Protection Program (“PPP”) was established under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and administered by the Small Business Administration (“SBA”). In April 2020, Belcourt applied for and received a loan totaling \$280,248 loan under the PPP. The loan proceeds were spent on payroll costs and benefits, as well as interest on mortgages, rent and utilities. The organization recognized \$280,248 of grant revenue on the statement of activities for the year ended December 31, 2020, as substantially all of the requirements for recognition had been met. In February 2021, Belcourt received forgiveness of the entire loan amount.

In April 2021, Belcourt received a second PPP loan in the amount of \$280,248 with substantially the same terms as above. In December 2021, Belcourt received notification the full balance of the second PPP loan had been forgiven. As such, Belcourt recognized \$280,248 of grant revenue on the statement of activities for the year ended December 31, 2021 and recorded no interest expense relating to this loan.

ADDITIONAL INFORMATION

BELCOURT THEATRE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2021

Grant Description	Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 1/1/2021	Federal Receipts	Expenditures	Accrued (Deferred) 12/31/2021
U.S. SMALL BUSINESS ADMINISTRATION							
Direct Program							
Shuttered Venue Operators Grant	*	59.075	SBAHQ21SV00951.2	03/01/2020 - 12/31/2021	\$ -	\$ 1,297,180	\$ 1,297,180
TOTAL U.S. SMALL BUSINESS ADMINISTRATION				-	1,297,180	1,297,180	-
NATIONAL ENDOWMENT FOR THE ARTS							
Direct Program							
Promotion of the Arts Grant		45.024	36940901	01/01/2021 - 12/31/2021	-	20,000	20,000
Passed Through State of Tennessee/Tennessee Arts Commission Promotion of the Arts Grant		45.025	31625-12355	07/01/2021 - 06/30/2022	-	23,000	23,000
TOTAL NATIONAL ENDOWMENT FOR THE ARTS				-	43,000	43,000	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ -	\$ 1,340,180	\$ 1,360,180	\$ -

* Considered a major program under Title 2 U.S. Code of Federal Regulations (CFR) Part 200

Total Expenditures by CFDA	
45.024	\$ 20,000
45.025	23,000
59.075	1,297,180
Total	\$ 1,340,180

See Notes to Schedule of Expenditures of Federal Awards on page 21

BELCOURT THEATRE INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Belcourt under programs of the federal government for the year ended December 31, 2021. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Belcourt, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Belcourt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Belcourt has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - SUBRECIPIENTS

The Belcourt did not pass any federal funds to subrecipients.

OTHER REPORTS

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Belcourt Theater, Inc.
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Belcourt Theater, Inc. (“Belcourt”), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 27, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Belcourt’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Belcourt’s internal control. Accordingly, we do not express an opinion on the effectiveness of Belcourt’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Belcourt's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kraft CPAs PLLC

Nashville, Tennessee
June 27, 2022

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Belcourt Theatre, Inc.
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Belcourt Theatre Inc.’s (“Belcourt”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Belcourt’s major federal programs for the year ended December 31, 2021. Belcourt’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Belcourt complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Belcourt and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Belcourt’s compliance with the compliance requirements referred to above.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Belcourt's federal programs.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Belcourt's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Belcourt's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Belcourt's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Belcourt's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Belcourt's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kraft CPAs PLLC

Nashville, Tennessee
June 27, 2022

BELCOURT THEATRE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

_____ yes x no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

59.075 Shuttered Venue Operators Grant

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes x no

BELCOURT THEATRE INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

Section II - Financial Statement Findings

There were no current or prior year findings

Section III - Findings and Questioned Costs for Federal Awards

There were no current or prior year findings.