

BELCOURT THEATRE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2009 AND 2008

BELCOURT THEATRE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2009 AND 2008

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 15
 <u>ADDITIONAL INFORMATION</u>	
Schedules of Functional Expenses	16



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Belcourt Theatre, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Belcourt Theatre, Inc., a Tennessee not-for-profit corporation (the "Belcourt"), as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Belcourt's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Belcourt Theatre, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying additional information on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KraftCPAs PLLC

Nashville, Tennessee
September 24, 2010

BELCOURT THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
		(Restated - Note 9)
ASSETS		
Cash and cash equivalents	\$ 223,719	\$ 119,091
Accounts receivable	4,999	5,928
Grants receivable	38,720	38,625
Inventory	12,533	11,395
Prepaid expenses	4,182	7,749
Property and equipment, net - Note 4	1,417,080	1,460,079
Capital campaign assets:		
Cash and cash equivalents	168,762	62,336
Contributions receivable, net - Note 3	131,630	249,713
Debt issue costs, net	<u>9,909</u>	<u>11,965</u>
TOTAL ASSETS	<u>\$ 2,011,534</u>	<u>\$ 1,966,881</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 60,378	\$ 69,506
Future box office sales and deposits	20,537	12,189
Other current liabilities	5,237	3,455
Capital lease obligation - Note 5	14,646	19,662
Note payable - Note 8	<u>815,750</u>	<u>846,157</u>
TOTAL LIABILITIES	<u>916,548</u>	<u>950,969</u>
NET ASSETS		
Unrestricted:		
Designated for property and equipment	586,684	594,260
Undesignated	<u>269,193</u>	<u>166,741</u>
Total unrestricted	855,877	761,001
Temporarily restricted - Note 7	<u>239,109</u>	<u>254,911</u>
TOTAL NET ASSETS	<u>1,094,986</u>	<u>1,015,912</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,011,534</u>	<u>\$ 1,966,881</u>

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

BELCOURT THEATRE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
OPERATING REVENUES			
Box office sales	\$ 485,365	\$ -	\$ 485,365
Concession sales	224,389	-	224,389
Facility rental income	170,667	-	170,667
TOTAL OPERATING REVENUES	<u>880,421</u>	<u>-</u>	<u>880,421</u>
PROGRAM SERVICES - OPERATING COSTS AND EXPENSES			
Theatre	780,042	-	780,042
Concession	158,362	-	158,362
TOTAL PROGRAM SERVICES - OPERATING COSTS AND EXPENSES	<u>938,404</u>	<u>-</u>	<u>938,404</u>
LOSS FROM OPERATIONS	<u>(57,983)</u>	<u>-</u>	<u>(57,983)</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions and memberships, net of present value discount	54,676	105,198	159,874
Grants	105,720	-	105,720
Fundraising events and sponsorships	25,993	-	25,993
Miscellaneous	3,585	-	3,585
Provision for uncollectible temporarily restricted contributions - Note 3	-	(15,000)	(15,000)
Net assets released from restrictions	106,000	(106,000)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>295,974</u>	<u>(15,802)</u>	<u>280,172</u>
SUPPORTING SERVICES			
Management and general	100,823	-	100,823
Fundraising expenses	42,292	-	42,292
TOTAL SUPPORTING SERVICES	<u>143,115</u>	<u>-</u>	<u>143,115</u>
CHANGE IN NET ASSETS	94,876	(15,802)	79,074
NET ASSETS - BEGINNING OF YEAR, Restated - Note 9	<u>761,001</u>	<u>254,911</u>	<u>1,015,912</u>
NET ASSETS - END OF YEAR	<u>\$ 855,877</u>	<u>\$ 239,109</u>	<u>\$ 1,094,986</u>

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

2008

(Restated - Note 9)

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 423,385	\$ -	\$ 423,385
201,123	-	201,123
<u>158,859</u>	<u>-</u>	<u>158,859</u>
783,367	-	783,367
779,199	-	779,199
<u>151,834</u>	<u>-</u>	<u>151,834</u>
931,033	-	931,033
<u>(147,666)</u>	<u>-</u>	<u>(147,666)</u>
95,399	3,827	99,226
103,927	-	103,927
51,894	-	51,894
4,477	-	4,477
-	-	-
<u>116,000</u>	<u>(116,000)</u>	<u>-</u>
371,697	(112,173)	259,524
102,489	-	102,489
<u>30,950</u>	<u>-</u>	<u>30,950</u>
133,439	-	133,439
90,592	(112,173)	(21,581)
<u>670,409</u>	<u>367,084</u>	<u>1,037,493</u>
<u>\$ 761,001</u>	<u>\$ 254,911</u>	<u>\$ 1,015,912</u>

BELCOURT THEATRE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
		(Restated - Note 9)
OPERATING ACTIVITIES		
Change in net assets	\$ 79,074	\$ (21,581)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	63,474	63,815
Gain on disposition of equipment	(564)	-
Provision for uncollectible temporarily restricted contributions	15,000	-
Contributions for capital campaign, net of present value discount	(2,917)	(3,827)
(Increase) decrease in:		
Accounts receivable	929	(3,661)
Grants receivable	(95)	(3,875)
Inventory	(1,138)	(6,817)
Prepaid expenses	3,567	3,875
Increase (decrease) in:		
Accounts payable and accrued expenses	(9,128)	53,962
Future box office sales and deposits	8,348	8,507
Other current liabilities	1,782	(432)
TOTAL ADJUSTMENTS	<u>79,258</u>	<u>111,547</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>158,332</u>	<u>89,966</u>
INVESTING ACTIVITIES		
Proceeds from sale of equipment	3,000	-
Purchases of property and equipment	(20,855)	(3,665)
Increase in cash held for capital campaign	(106,426)	(40,130)
NET CASH USED IN INVESTING ACTIVITIES	<u>(124,281)</u>	<u>(43,795)</u>
FINANCING ACTIVITIES		
Collections for capital campaign	106,000	116,000
Principal payments on note payable	(30,407)	(100,140)
Principal payments on capital lease obligation	(5,016)	(4,663)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>70,577</u>	<u>11,197</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>104,628</u>	<u>57,368</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>119,091</u>	<u>61,723</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 223,719</u>	<u>\$ 119,091</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital lease	<u>\$ -</u>	<u>\$ 24,325</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest expense paid	<u>\$ 59,237</u>	<u>\$ 62,740</u>

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

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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 accompanying financial statements present the financial position and changes in net assets of the Belcourt on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Belcourt had no permanently restricted net assets as of December 31, 2009 or 2008.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a Replacement of FASB Statement No. 162*. This statement modifies the Generally Accepted Accounting Principles ("GAAP") hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (the "Codification") is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission. Nonauthoritative guidance and literature include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issues Papers and Technical Practice Aids, and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking account balances, and are classified either as operating funds or capital campaign assets.

Inventory

Inventory is reported in the accompanying statement of financial position at cost. Inventory consists of concession items including candy, popcorn, soft drinks, alcoholic beverages, and miscellaneous other items.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support (Continued)

The Belcourt reports gifts of equipment or materials as unrestricted support 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 cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using the risk-free interest rate applicable to the year in which the promise is received (no new pledges were made in 2009; 1.55% in 2008). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Advance receipts of conditional promises for which the conditions have not been met are classified initially as refundable advances under liabilities.

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 \$500 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 and furniture 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 have been capitalized and are being amortized by the straight-line method over the related loan term in the amount of \$2,056 annually.

Advertising and Marketing Costs

The Belcourt expenses advertising and marketing costs as they are incurred. Advertising and marketing expense totaled \$44,910 for the year ended December 31, 2009 (\$34,999 for 2008).

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

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, was 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.

Donated Securities

Donated securities are recorded as contribution revenue based on the market value of the securities at the date of gift.

Grant Revenues

Grants are recognized as revenue in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as a liability and recognized as revenue in the period the conditions for recognition are met.

Program and Supporting Services

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

Program services - includes the operation of two separate theatres with a total seating capacity of approximately 750. The core programming in both theatres is independent, documentary, world, repertory and classic cinema, as well as promoting visual and film literacy for adults and children. Additionally, the Theatre serves as a venue for some live music and theatre programming via outside rental as time allows. Film programming is diverse and designed to reach, in part, underserved and international communities.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (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.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

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.

On January 1, 2009, the Belcourt adopted new guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. The adoption of this guidance did not have a material effect on the Belcourt's financial position and change in net assets.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

As of December 31, 2009 and 2008, the Belcourt did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

The Belcourt files U.S. Federal Form 990 for organizations exempt from income tax. Tax returns for years prior to fiscal year 2006 are closed.

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.

Reclassifications

Certain reclassifications have been made to prior year amounts to be comparative with the current year presentation.

Events Occurring After Reporting Date

The Belcourt has evaluated events and transactions that occurred between December 31, 2009 and September 24, 2010, 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, 2009 AND 2008

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable relate entirely to the capital campaign, and consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Temporarily restricted:		
Due in less than one year	\$ 83,250	\$ 119,250
Due in one to five years	<u>66,000</u>	<u>136,000</u>
	149,250	255,250
Less: Allowance for uncollectible contributions receivable	(15,000)	-
Less: Discount to present value	<u>(2,620)</u>	<u>(5,537)</u>
Total	<u>\$ 131,630</u>	<u>\$ 249,713</u>

The Belcourt's capital campaign is to fund the acquisition of the theatre facility (land and building), which was purchased from a former member of the Board of Directors in November 2007.

During 2009, a provision for temporarily restricted contributions determined to be uncollectible, totaling \$15,000, was recorded as a reduction of temporarily restricted net assets in the Statement of Activities.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Land	\$ 210,000	\$ 210,000
Buildings and improvements	1,330,175	1,330,175
Equipment:		
Theatre	89,960	78,965
Concession	20,813	19,108
Office	4,254	16,404
Furniture and fixtures	<u>5,664</u>	<u>5,664</u>
	1,660,866	1,660,316
Less: accumulated depreciation	<u>(243,786)</u>	<u>(200,237)</u>
	<u>\$ 1,417,080</u>	<u>\$ 1,460,079</u>

Depreciation expense amounted to: 2009 - \$61,418; 2008 - \$61,759.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 5 - LEASES

In January 2008, the Belcourt entered into a capital lease obligation for a parking pay station. Assets under capital lease obligations are included in property and equipment and consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Cost	\$ 24,325	\$ 24,325
Accumulated depreciation	<u>(9,730)</u>	<u>(4,865)</u>
Net book value	<u>\$ 14,595</u>	<u>\$ 19,460</u>

The following is a schedule by year of future minimum payments required under the lease together with their present value as of December 31, 2009:

Year Ending December 31,

2010	\$ 7,313
2011	7,313
2012	<u>2,434</u>
Total minimum lease payments	17,060
Less: Amount representing interest (13.2%)	<u>(2,414)</u>
Present value of minimum lease payments	<u>\$ 14,646</u>

Amortization of assets held under capital lease is included with depreciation expense.

Short-term operating leases for certain equipment were not significant in 2009 or 2008.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 6 - CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Belcourt to concentrations of credit risk consist of cash and cash equivalents and pledges receivable. Pledges receivable consist of individual pledges for the capital campaign and represent concentrations of credit risk to the extent that 67% and 78% of pledges receivable are from one donor at December 31, 2009 and 2008, respectively.

The Belcourt maintains cash accounts at reputable financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. As of December 31, 2009, all accounts of the Belcourt were fully insured.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31:

	<u>2009</u>	<u>2008</u>
Research project on Grand Ole Opry	\$ 5,198	\$ 5,198
Creature Comforts campaign	67,192	-
Projection equipment	35,089	-
Capital campaign for purchase of building	<u>131,630</u>	<u>249,713</u>
	<u>\$ 239,109</u>	<u>\$ 254,911</u>

The purpose of the Creature Comforts campaign is to raise money to renovate both of the Belcourt Theatre's cinema rooms.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 8 - NOTE PAYABLE

During 2007, the Belcourt obtained a mortgage loan from a bank to finance the acquisition of the theatre facility. The Belcourt's obligation under the note payable consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Mortgage loan - principal and interest at 6.75%, due in monthly installments of \$7,279, with final payment of remaining principal balance due November 2014; secured by deed of trust on real estate.	<u>\$ 815,750</u>	<u>\$ 846,157</u>

The following is a summary by year of the principal maturities of the note payable as of December 31, 2009:

Year ending December 31,

2010	\$ 31,135
2011	35,327
2012	37,648
2013	40,422
2014	<u>671,218</u>
Total	<u>\$ 815,750</u>

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 9 - RESTATEMENT OF PRIOR YEAR

A prior period adjustment has been made, and the December 31, 2008 financial statements have been restated, in order to properly report the Belcourt's liability for property taxes, as the Belcourt has not been granted property tax exemption status. The effects of the restatement were to increase accounts payable and accrued expenses and property tax expense by \$27,188 as of and for the year ended December 31, 2008, and to reduce unrestricted net assets as of December 31, 2008 by \$27,188. A summary of the effects of the restatement on the net assets follows:

	<u>2009</u>			<u>2008</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance - beginning of year, as previously reported	\$ 788,189	\$ 254,911	\$ 1,043,100	\$ 670,409	\$ 367,084	\$1,037,493
Prior period adjustment - to properly report accrued property taxes	<u>(27,188)</u>	<u>-</u>	<u>(27,188)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance - beginning of year, as restated	761,001	254,911	1,015,912	670,409	367,084	1,037,493
Change in net assets	<u>94,876</u>	<u>(15,802)</u>	<u>79,074</u>	<u>90,592</u>	<u>(112,173)</u>	<u>(21,581)</u>
Balance - end of year	<u>\$ 855,877</u>	<u>\$ 239,109</u>	<u>\$ 1,094,986</u>	<u>\$ 761,001</u>	<u>\$ 254,911</u>	<u>\$1,015,912</u>

ADDITIONAL INFORMATION

BELCOURT THEATRE, INC.

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009				
	<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	\$ 240,498	\$ 59,483	\$ 45,550	\$ 12,988	\$ 358,519
Contract labor	-	-	24,100	698	24,798
Advertising and marketing	39,641	-	-	5,269	44,910
Bank charges and credit card fees	30,194	9,305	631	64	40,194
Beer, popcorn, water, soda, wine, liquor, etc.	-	66,078	-	-	66,078
Box office expenses	29,406	-	-	-	29,406
Concession supplies	-	20,570	-	-	20,570
Depreciation and amortization	61,367	1,462	645	-	63,474
Equipment purchase	5,298	352	982	-	6,632
Equipment rental	995	-	-	4,453	5,448
Equipment repairs	1,796	247	49	118	2,210
Facilities upkeep	24,142	-	-	-	24,142
Film distribution fees	184,995	-	-	-	184,995
Food and beverage	1,233	-	-	5,604	6,837
Insurance	12,556	405	3,988	-	16,949
Licenses and permits	1,345	460	20	380	2,205
Interest	59,237	-	-	-	59,237
Miscellaneous	6,288	-	-	4,828	11,116
Professional fees	-	-	16,376	1,930	18,306
Property taxes	24,347	-	-	-	24,347
Supplies, printing and postage	7,386	-	7,607	4,542	19,535
Travel and entertainment	6,306	-	-	1,309	7,615
Utilities	43,012	-	875	109	43,996
Total	<u>\$ 780,042</u>	<u>\$ 158,362</u>	<u>\$ 100,823</u>	<u>\$ 42,292</u>	<u>\$ 1,081,519</u>

2008 (Restated)

PROGRAM SERVICES		SUPPORTING SERVICES			TOTAL
THEATRE OPERATING COSTS	CONCESSION OPERATING COSTS	MANAGEMENT AND GENERAL	FUND - RAISING		
\$ 241,935	\$ 58,106	\$ 45,676	\$ 13,050	\$ 358,767	
2,180	-	21,581	1,976	25,737	
33,137	-	-	1,862	34,999	
23,959	7,397	550	50	31,956	
-	67,030	-	-	67,030	
25,928	-	-	-	25,928	
-	15,207	-	-	15,207	
61,629	1,519	667	-	63,815	
4,842	150	-	-	4,992	
-	-	-	3,841	3,841	
344	1,123	-	405	1,872	
28,510	-	-	-	28,510	
173,780	-	-	-	173,780	
2,638	-	-	4,383	7,021	
21,639	692	4,844	-	27,175	
299	610	21	795	1,725	
62,740	-	-	-	62,740	
8,140	-	4,540	2,914	15,594	
-	-	19,301	-	19,301	
34,409	-	-	-	34,409	
2,902	-	4,451	1,568	8,920	
8,018	-	-	-	8,018	
42,170	-	858	107	43,135	
<u>\$ 779,199</u>	<u>\$ 151,834</u>	<u>\$ 102,489</u>	<u>\$ 30,950</u>	<u>\$ 1,064,472</u>	