

BELCOURT THEATRE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2022 AND 2021

BELCOURT THEATRE, INC.
NASHVILLE, TENNESSEE
FINANCIAL STATEMENTS,
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Belcourt Theatre, Inc.
Nashville, Tennessee

OPINION

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, 2022, and 2021, 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, 2022 and 2021, 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ryan Seacrest Foundation, Inc. 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 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 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 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, 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.

Kraft CPAs PLLC

Nashville, Tennessee
June 28, 2023

BELCOURT THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 3,432,864	\$ 3,191,652
Accounts receivable	11,086	14,616
Contributions receivable	30,291	28,141
Grants receivable	107,672	104,300
Inventory	18,064	18,064
Prepaid expenses	10,009	3,199
Property and equipment, net	5,273,638	5,504,314
Capital campaign assets:		
Cash	7,703	36,810
Contributions receivable, net	<u>7,474</u>	<u>8,474</u>
TOTAL ASSETS	<u>\$ 8,898,801</u>	<u>\$ 8,909,570</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 113,864	\$ 112,656
Future box office sales and deposits	44,531	15,657
Other current liabilities	66,528	54,560
Notes payable, net	<u>1,425,896</u>	<u>1,460,577</u>
TOTAL LIABILITIES	<u>1,650,819</u>	<u>1,643,450</u>
NET ASSETS		
Net assets without donor restrictions:		
Invested in property and equipment, net of related debt	3,847,742	4,043,737
Undesignated	<u>3,387,568</u>	<u>3,208,711</u>
Total net assets without donor restrictions	7,235,310	7,252,448
Net assets with donor restrictions	<u>12,672</u>	<u>13,672</u>
TOTAL NET ASSETS	<u>7,247,982</u>	<u>7,266,120</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,898,801</u>	<u>\$ 8,909,570</u>

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

BELCOURT THEATRE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	<u>NET ASSETS WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
OPERATING REVENUES			
Box office sales	\$ 1,066,444	\$ -	\$ 1,066,444
Concession sales	535,949	-	535,949
Facility rental income	<u>174,656</u>	<u>-</u>	<u>174,656</u>
TOTAL OPERATING REVENUES	<u>1,777,049</u>	<u>-</u>	<u>1,777,049</u>
PROGRAM SERVICES - OPERATING COSTS AND EXPENSES			
Theatre	2,275,243	-	2,275,243
Concession	<u>462,262</u>	<u>-</u>	<u>462,262</u>
TOTAL PROGRAM SERVICES - OPERATING COSTS AND EXPENSES	<u>2,737,505</u>	<u>-</u>	<u>2,737,505</u>
LOSS FROM OPERATIONS	<u>(960,456)</u>	<u>-</u>	<u>(960,456)</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions, memberships and foundation grants	587,774	-	587,774
Grants	652,601	-	652,601
Fundraising event revenues	136,853	-	136,853
Miscellaneous	20,489	-	20,489
In-kind donations	42,299	-	42,299
Net assets released resulting from satisfaction of donor restrictions	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>1,441,016</u>	<u>(1,000)</u>	<u>1,440,016</u>
SUPPORTING SERVICES			
Management and general	236,870	-	236,870
Fundraising	<u>260,828</u>	<u>-</u>	<u>260,828</u>
TOTAL SUPPORTING SERVICES	<u>497,698</u>	<u>-</u>	<u>497,698</u>
CHANGE IN NET ASSETS	(17,138)	(1,000)	(18,138)
NET ASSETS - BEGINNING OF YEAR	<u>7,252,448</u>	<u>13,672</u>	<u>7,266,120</u>
NET ASSETS - END OF YEAR	<u>\$ 7,235,310</u>	<u>\$ 12,672</u>	<u>\$ 7,247,982</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	<u>101,311</u>	<u>-</u>	<u>101,311</u>
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	<u>368,850</u>	<u>-</u>	<u>368,850</u>
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, net	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	<u>191,169</u>	<u>(191,169)</u>	<u>-</u>
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	<u>154,073</u>	<u>-</u>	<u>154,073</u>
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 FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<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	\$ 955,577	\$ 205,816	\$ 176,414	\$ 132,310	\$ 1,470,117
Advertising and marketing	117,557	-	-	9,859	127,416
Bank charges and credit card fees	71,045	21,787	1,895	-	94,727
Beer, popcorn, water, soda, wine, liquor, etc.	-	165,878	-	-	165,878
Box office expenses	128,373	-	-	-	128,373
Concession supplies	-	33,643	-	-	33,643
Depreciation and amortization	254,315	-	2,304	-	256,619
Education	13,684	-	-	-	13,684
Facilities upkeep	52,768	11,307	5,654	5,654	75,383
Film distribution fees	427,827	-	-	-	427,827
Insurance	24,895	332	7,967	-	33,194
Interest	40,473	8,673	4,338	4,335	57,819
Licenses and permits	18,380	1,272	-	-	19,652
Membership expenses	8,121	-	-	-	8,121
Professional fees	34,263	1,371	32,208	685	68,527
Red Carpet Event	-	-	-	101,893	101,893
Supplies, printing and postage	51,849	-	-	-	51,849
Travel and entertainment	19,260	-	-	-	19,260
Utilities	56,856	12,183	6,090	6,092	81,221
Total	<u>\$ 2,275,243</u>	<u>\$ 462,262</u>	<u>\$ 236,870</u>	<u>\$ 260,828</u>	<u>\$ 3,235,203</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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (18,138)	\$ 1,552,270
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	254,235	287,431
Amortization of loan origination costs	2,385	2,385
Bad debt expense	-	15,962
(Increase) decrease in:		
Accounts receivable	3,530	5,294
Contributions receivable	(2,150)	(849)
Grants receivable	(3,372)	45,654
Prepaid expenses	(6,810)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	1,208	73,783
Future box office sales and deposits	28,874	(867)
Other current liabilities	<u>11,968</u>	<u>7,096</u>
TOTAL ADJUSTMENTS	<u>289,868</u>	<u>435,889</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>271,730</u>	<u>1,988,159</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(23,559)</u>	<u>(5,278)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(23,559)</u>	<u>(5,278)</u>
FINANCING ACTIVITIES		
Collections for capital campaign	1,000	2,707
Principal payments on notes payable	<u>(37,066)</u>	<u>(38,546)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(36,066)</u>	<u>(35,839)</u>
INCREASE IN CASH	212,105	1,947,042
CASH - BEGINNING OF YEAR	<u>3,228,462</u>	<u>1,281,420</u>
CASH - END OF YEAR	<u>\$ 3,440,567</u>	<u>\$ 3,228,462</u>
Operating cash	\$ 3,432,864	\$ 3,191,652
Capital campaign cash	7,703	36,810
TOTAL CASH	<u>\$ 3,440,567</u>	<u>\$ 3,228,462</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest expense paid	<u>\$ 57,819</u>	<u>\$ 59,155</u>

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

BELCOURT THEATRE INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was effective for the Belcourt beginning on January 1, 2022 and did not result in a significant change to the financial statements.

Contributed nonfinancial assets are recorded at fair value at the date of donation. Contributions of nonfinancial assets with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions of nonfinancial assets are recorded as net assets without donor restrictions.

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.

BELCOURT THEATRE INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022 (\$2,385 for 2021) and is reported as theatre operating costs in the statement of activities. Amortization of debt issuance costs will be \$2,385 for years 2023 and 2024 and \$2,383 for 2025.

Advertising and Marketing Costs

The Belcourt expenses advertising and marketing costs as they are incurred. Advertising and marketing expense totaled \$127,416 for the year ended December 31, 2022 (\$110,960 for 2021).

BELCOURT THEATRE INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

BELCOURT THEATRE INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

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.

Events Occurring After Reporting Date

The Belcourt has evaluated events and transactions that occurred between December 31, 2022 and June 28, 2023, 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, 2022 AND 2021

NOTE 3 - AVAILABILITY AND LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 3,440,567	\$ 3,228,462
Accounts receivable	11,086	14,616
Contributions receivable, net	30,291	28,141
Campaign contributions receivable, net	7,474	8,474
Grants receivable	<u>107,672</u>	<u>104,300</u>
Total financial assets	<u>3,597,090</u>	<u>3,383,993</u>
Less amounts not available to be used within one year:		
Cash collected from capital campaign for debt repayment	(7,703)	(36,810)
Restricted by donor with time or purpose restrictions	<u>(12,672)</u>	<u>(13,672)</u>
	<u>(20,375)</u>	<u>(50,482)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,576,715</u>	<u>\$ 3,333,511</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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Beginning of year	<u>\$ 14,616</u>	<u>\$ 19,910</u>	<u>\$ 15,657</u>	<u>\$ 16,524</u>
End of year	<u>\$ 11,086</u>	<u>\$ 14,616</u>	<u>\$ 44,531</u>	<u>\$ 15,657</u>

BELCOURT THEATRE INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable for operating purposes are due in less than one year and amounted to \$30,291 as of December 31, 2022 (\$28,141 as of December 31, 2021).

Capital campaign contributions receivable are due in less than one year and amounted to \$7,474 as of December 31, 2022 (\$8,474 as of December 31, 2021).

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 210,000	\$ 210,000
Building and improvements	6,883,224	6,883,224
Equipment:		
Theatre	623,648	603,588
Concession	84,271	84,271
Office	23,426	19,927
Furniture and fixtures	<u>340,653</u>	<u>340,653</u>
	8,165,222	8,141,663
Less: accumulated depreciation	<u>(2,891,584)</u>	<u>(2,637,349)</u>
	<u>\$ 5,273,638</u>	<u>\$ 5,504,314</u>

BELCOURT THEATRE INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Promissory note - interest at a fixed rate (3.95% at December 31, 2022) 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.	\$ 1,433,049	\$ 1,470,115
	1,433,049	1,470,115
Less: unamortized debt issue costs	<u>(7,153)</u>	<u>(9,538)</u>
	<u>\$ 1,425,896</u>	<u>\$ 1,460,577</u>

NOTE 7 - NOTES PAYABLE (CONTINUED)

The loan agreement requires Belcourt to meet certain financial and nonfinancial covenants. On December 31, 2022, 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, 2022:

Year ending December 31,

2023	\$ 38,556
2024	39,973
2025	<u>1,354,520</u>
Total	<u>\$ 1,433,049</u>

BELCOURT THEATRE INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
<u>Purpose restrictions:</u>		
Research project on Grand Ole Opry	\$ 5,198	\$ 5,198
<u>Time restrictions:</u>		
Capital campaign for renovation of building	<u>7,474</u>	<u>8,474</u>
	<u>\$ 12,672</u>	<u>\$ 13,672</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.

The Belcourt received approximately 18% and 42% of its contributed funding from federal grants for the year ended December 31, 2022 and 2021, respectively.

BELCOURT THEATRE INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 10 - SHUTTERED VENUE OPERATORS GRANT

In 2021, the Belcourt received a Shuttered Venue Operator Grant (“SVOG”) in the amount of \$1,297,180, which included an initial and a supplemental award. The award, established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and amended by the American Rescue Plan Act, is to assist eligible entities who, in general, illustrated a loss of gross revenues in certain quarters during 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 Belcourt.

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 of 2021, Belcourt applied 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. In December 2021, the Belcourt received notification the full balance had been forgiven. As such, Belcourt recognized \$280,248 of loan forgiveness income on the Statement of Activities for the year ended December 31, 2021, and recorded no interest expense relating to this loan.

NOTE 12 - IN-KIND CONTRIBUTIONS

In-kind donations of goods and services recognized by Belcourt as in-kind revenue and related expenses for the years ended December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Art	\$ 7,903	\$ -
Clothing and household items	2,058	-
Computer and software	1,428	-
Event tickets	3,718	-
Food and other	2,640	-
Gift cards	<u>24,552</u>	<u>-</u>
	<u>\$ 42,299</u>	<u>\$ -</u>