

BELCOURT THEATRE, INC.
NASHVILLE, TENNESSEE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON 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, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Belcourt Theatre, Inc., as of December 31, 2018 and 2017, 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.

Knight CPAs PLLC

Nashville, Tennessee
June 28, 2019

BELCOURT THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 915,711	\$ 511,724
Accounts receivable	14,127	19,358
Contributions receivable	15,662	14,354
Grants receivable	114,660	113,100
Inventory	18,123	11,563
Prepaid expenses	28,312	13,700
Property and equipment, net	6,434,769	6,781,533
Capital campaign assets:		
Cash	470,435	325,548
Contributions receivable, net	<u>334,265</u>	<u>739,092</u>
TOTAL ASSETS	<u><u>\$ 8,346,064</u></u>	<u><u>\$ 8,529,972</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 169,697	\$ 103,853
Future box office sales and deposits	16,176	20,371
Other current liabilities	95,730	78,601
Notes payable, net	<u>2,583,462</u>	<u>3,025,179</u>
TOTAL LIABILITIES	<u><u>2,865,065</u></u>	<u><u>3,228,004</u></u>
NET ASSETS		
Net assets without donor restrictions:		
Invested in property and equipment, net of related debt	3,851,307	3,756,354
Undesignated	<u>1,282,729</u>	<u>766,324</u>
Total net assets without donor restrictions	5,134,036	4,522,678
Net assets with donor restrictions	<u>346,963</u>	<u>779,290</u>
TOTAL NET ASSETS	<u><u>5,480,999</u></u>	<u><u>5,301,968</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,346,064</u></u>	<u><u>\$ 8,529,972</u></u>

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

BELCOURT THEATRE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
OPERATING REVENUES			
Box office sales	\$ 1,697,850	\$ -	\$ 1,697,850
Concession sales	744,358	-	744,358
Facility rental income	195,257	-	195,257
TOTAL OPERATING REVENUES	<u>2,637,465</u>	<u>-</u>	<u>2,637,465</u>
PROGRAM SERVICES - OPERATING COSTS AND EXPENSES			
Theatre	2,582,970	-	2,582,970
Concession	493,617	-	493,617
TOTAL PROGRAM SERVICES - OPERATING COSTS AND EXPENSES	<u>3,076,587</u>	<u>-</u>	<u>3,076,587</u>
LOSS FROM OPERATIONS	<u>(439,122)</u>	<u>-</u>	<u>(439,122)</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions, memberships and foundation grants, net of present value discount	527,225	154,915	682,140
Grants	227,050	-	227,050
Fundraising events and sponsorships	110,201	-	110,201
Miscellaneous	8,841	-	8,841
Loss on disposition of equipment	(4,837)	-	(4,837)
Net assets released resulting from satisfaction of donor restrictions	587,242	(587,242)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>1,455,722</u>	<u>(432,327)</u>	<u>1,023,395</u>
SUPPORTING SERVICES			
Management and general	234,025	-	234,025
Fundraising	171,217	-	171,217
TOTAL SUPPORTING SERVICES	<u>405,242</u>	<u>-</u>	<u>405,242</u>
CHANGE IN NET ASSETS	611,358	(432,327)	179,031
NET ASSETS - BEGINNING OF YEAR	<u>4,522,678</u>	<u>779,290</u>	<u>5,301,968</u>
NET ASSETS - END OF YEAR	<u>\$ 5,134,036</u>	<u>\$ 346,963</u>	<u>\$ 5,480,999</u>

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

2017

Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 1,281,905	\$ -	\$ 1,281,905
620,160	-	620,160
<u>195,888</u>	<u>-</u>	<u>195,888</u>
<u>2,097,953</u>	<u>-</u>	<u>2,097,953</u>
2,284,740	-	2,284,740
<u>435,217</u>	<u>-</u>	<u>435,217</u>
<u>2,719,957</u>	<u>-</u>	<u>2,719,957</u>
<u>(622,004)</u>	<u>-</u>	<u>(622,004)</u>
391,780	185,525	577,305
224,200	-	224,200
116,225	-	116,225
5,753	-	5,753
-	-	-
<u>775,374</u>	<u>(775,374)</u>	<u>-</u>
<u>1,513,332</u>	<u>(589,849)</u>	<u>923,483</u>
219,068	-	219,068
<u>162,738</u>	<u>-</u>	<u>162,738</u>
<u>381,806</u>	<u>-</u>	<u>381,806</u>
509,522	(589,849)	(80,327)
<u>4,013,156</u>	<u>1,369,139</u>	<u>5,382,295</u>
<u>\$ 4,522,678</u>	<u>\$ 779,290</u>	<u>\$ 5,301,968</u>

BELCOURT THEATRE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				
	<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	\$ 784,592	\$ 168,989	\$ 144,848	\$ 108,635	\$ 1,207,064
Advertising and marketing	62,722	-	-	14,379	77,101
Bad debt expense	-	-	-	-	-
Bank charges and credit card fees	67,653	20,747	1,804	-	90,204
Beer, popcorn, water, soda, wine, liquor, etc.	-	226,397	-	-	226,397
Box office expenses	125,047	-	-	-	125,047
Concession supplies	-	55,517	-	-	55,517
Depreciation	342,997	11,820	-	-	354,817
Education	9,217	-	-	-	9,217
Equipment purchase	1,941	2,863	570	-	5,374
Equipment rental	2,264	-	-	-	2,264
Equipment repairs	-	736	-	-	736
Facilities upkeep	73,684	-	-	-	73,684
Film distribution fees	758,028	-	-	-	758,028
Insurance	32,824	438	10,504	-	43,766
Interest	129,690	-	-	-	129,690
Licenses and permits	4,138	250	-	100	4,488
Membership expenses	19,386	-	-	-	19,386
Miscellaneous	9,953	-	266	3,052	13,271
Professional fees	36,769	5,860	50,600	296	93,525
Red Carpet Event	-	-	-	41,229	41,229
Supplies, printing and postage	27,142	-	25,433	3,526	56,101
Travel and entertainment	27,405	-	-	-	27,405
Utilities	67,518	-	-	-	67,518
Total	<u>\$ 2,582,970</u>	<u>\$ 493,617</u>	<u>\$ 234,025</u>	<u>\$ 171,217</u>	<u>\$ 3,481,829</u>

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

2017

PROGRAM SERVICES		SUPPORTING SERVICES			TOTAL
THEATRE OPERATING COSTS	CONCESSION OPERATING COSTS	MANAGEMENT AND GENERAL	FUND - RAISING		
\$ 722,047	\$ 155,517	\$ 133,301	\$ 99,975	\$ 1,110,840	
60,691	-	-	11,824	72,515	
12,560	-	-	-	12,560	
51,479	15,787	1,373	-	68,639	
-	205,123	-	-	205,123	
99,404	-	-	-	99,404	
-	44,345	-	-	44,345	
356,070	11,505	-	-	367,575	
7,708	-	-	-	7,708	
9,007	127	169	-	9,303	
2,122	-	-	61	2,183	
-	1,342	-	-	1,342	
67,997	-	-	-	67,997	
532,090	-	-	-	532,090	
24,071	321	7,703	-	32,095	
142,446	-	-	-	142,446	
4,508	1,150	-	102	5,760	
18,860	-	-	-	18,860	
6,072	-	162	1,862	8,096	
31,939	-	50,473	12,528	94,940	
-	-	-	29,482	29,482	
45,257	-	24,670	6,820	76,747	
27,792	-	1,217	84	29,093	
62,620	-	-	-	62,620	
<u>\$ 2,284,740</u>	<u>\$ 435,217</u>	<u>\$ 219,068</u>	<u>\$ 162,738</u>	<u>\$ 3,101,763</u>	

BELCOURT THEATRE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 179,031	\$ (80,327)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	354,817	367,574
Amortization of loan origination costs	6,375	6,375
Loss on disposition of property and equipment	4,837	-
Bad debt expense	-	12,560
Contributions for capital campaign, net of present value discount	(155,943)	(154,543)
(Increase) decrease in:		
Accounts receivable	5,231	(2,496)
Contributions receivable	(1,308)	(13,104)
Grants receivable	(1,560)	512
Inventory	(6,560)	(563)
Prepaid expenses	(14,612)	(5,331)
Increase (decrease) in:		
Accounts payable and accrued expenses	65,844	(39,857)
Future box office sales and deposits	(4,195)	(2,080)
Other current liabilities	17,129	15,056
TOTAL ADJUSTMENTS	<u>270,055</u>	<u>184,103</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>449,086</u>	<u>103,776</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(12,890)	(7,902)
Net (decrease) increase in cash held for capital campaign	<u>(144,887)</u>	<u>209,113</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(157,777)</u>	<u>201,211</u>
FINANCING ACTIVITIES		
Collections for capital campaign	560,770	742,332
Payments of prior year accounts payable for construction in progress	-	(47,088)
Principal payments on note payable	<u>(448,092)</u>	<u>(910,383)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>112,678</u>	<u>(215,139)</u>
INCREASE IN CASH	403,987	89,848
CASH - BEGINNING OF YEAR	<u>511,724</u>	<u>421,876</u>
CASH - END OF YEAR	<u>\$ 915,711</u>	<u>\$ 511,724</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest expense paid	<u>\$ 118,310</u>	<u>\$ 136,065</u>

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

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 U.S. generally accepted accounting principles (“US 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 statements of activities.

Cash

Cash consists principally of checking account balances. Cash on the statement of cash flows does not include amounts designated as capital campaign assets.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is reported in the accompanying statement 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.

Contributions and Support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

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

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.

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 (2.46% in 2018; 1.98% in 2017). 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.

The allowance for uncollectible contributions is provided based on management’s estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. In management’s opinion, no allowance for uncollectible pledges was necessary as of December 31, 2018 and 2017.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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 \$6,375 for both the years ended December 31, 2018 and 2017 and is reported as theatre operating costs in the statements of activities. Amortization is expected to be \$6,375 per year in both 2019 and 2020.

Advertising and Marketing Costs

The Belcourt expenses advertising and marketing costs as they are incurred. Advertising and marketing expense totaled \$77,101 for the year ended December 31, 2018 (\$72,515 for 2017).

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.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 consolidated statements 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.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, payroll taxes and employee benefits	Time and effort
Bank charges and credit card fees	Time and effort
Insurance coverage	Time and effort
Miscellaneous	Time and effort

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Estimates

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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Additionally, ASU 2016-14 requires all not-for-profit entities to present expenses by their natural and functional expense classification. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Belcourt is currently evaluating the effect that the updated standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As The Belcourt is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after June 15, 2018, including interim periods. The Belcourt is currently evaluating the impact of the adoption of this guidance on its financial statements but does not expect the impact to be material.

In March 2016, FASB issued ASU 2016-04, *Liabilities - Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Cards*. ASU 2016-04 clarifies whether the liability that a seller of prepaid stored-value cards incurs for unredeemed cards is a financial or nonfinancial liability. ASU 2016-04 states that obligations in connection with stored-value cards are financial liabilities, but a seller must follow the guidance in *Topic 606, Revenue from Contracts with Customers*, to derecognize the liability. Generally, prepaid stored-value cards are products in physical and digital form with stored monetary value that the holder can use as payment for goods and services. Examples include prepaid gift cards, prepaid telecommunications cards, and travelers' checks. An entity must transition to the new guidance retrospectively, either by reflecting the change in all prior periods presented in the financial statements or by making a cumulative-effect adjustment to net assets in the period of adoption. The adoption of ASU 2016-04, which will be effective for the Belcourt beginning on January 1, 2019, is not expected to have a material impact on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Belcourt beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The adoption of ASU 2016-18 is not expected to have a material impact on the financial statements.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Belcourt has evaluated events and transactions that occurred between December 31, 2018 and June 28, 2019, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - AVAILABILITY AND LIQUIDITY

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

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash	\$ 1,386,146	\$ 837,272
Accounts receivable	14,127	19,358
Contributions receivable, net	349,927	753,446
Grants receivable	<u>114,660</u>	<u>113,100</u>
Total financial assets	<u>1,864,860</u>	<u>1,723,176</u>
Less amounts not available to be used within one year:		
Cash restricted for capital campaign	(470,435)	(325,548)
Restricted by donor with time or purpose restrictions	<u>(346,963)</u>	<u>(779,290)</u>
	<u>(817,398)</u>	<u>(1,104,838)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,047,462</u>	<u>\$ 618,338</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 - CONTRIBUTIONS RECEIVABLE

Contributions receivable for operating purposes are due in less than one year and amounted to \$15,662 as of December 31, 2018 (\$14,354 as of December 31, 2017).

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 4 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
Temporarily restricted:		
Due in less than one year	\$ 199,013	\$ 426,596
Due in one to five years	<u>143,166</u>	<u>328,938</u>
	342,179	755,534
Less: discount to present value	<u>(7,914)</u>	<u>(16,442)</u>
Total	<u>\$ 334,265</u>	<u>\$ 739,092</u>

During 2015 and 2016, the Belcourt conducted a capital campaign for the renovation and preservation of the theatre facility. The renovation was completed in 2016 and capital campaign funds are being used to repay the related note used to finance the renovation.

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 210,000	\$ 210,000
Buildings and improvements	6,912,374	6,933,344
Equipment:		
Theatre	554,568	554,568
Concession	91,429	81,219
Office	16,560	16,560
Furniture and fixtures	<u>340,652</u>	<u>340,652</u>
	8,125,583	8,136,343
Less: accumulated depreciation	<u>(1,690,814)</u>	<u>(1,354,810)</u>
	<u>\$ 6,434,769</u>	<u>\$ 6,781,533</u>

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 6 - LINE OF CREDIT

The Belcourt had a \$50,000 revolving line of credit agreement with a bank, which matured September 22, 2018 and was not renewed. The line bore interest at a variable rate of prime plus 1% and was secured by substantially all the assets of the Belcourt. There were no draws on the line of credit at either December 31, 2018 or 2017.

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Capital loan - interest at a fixed rate (4.10% at December 31, 2018) on outstanding principal, interest due in monthly installments and principal payments due annually and varying based on capital campaign collections subject to minimum amounts, with final remaining principal balance due December 2020; secured by substantially all the organization's assets.	\$ 2,337,761	\$ 2,775,814
Mortgage loan - principal and interest at 5.10%, due in monthly installments of \$2,137, with final payment of remaining principal balance due February 2023; secured by deed of trust on real estate which has a carrying value of \$6,096,532.	<u>258,452</u>	<u>268,491</u>
	2,596,213	3,044,305
Less unamortized deferred financing costs	<u>(12,751)</u>	<u>(19,126)</u>
	<u>\$ 2,583,462</u>	<u>\$ 3,025,179</u>

The loan agreements require the Belcourt to meet certain financial covenants, including a minimum debt service coverage ratio.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018 AND 2017

NOTE 7 - NOTES PAYABLE (CONTINUED)

The following is a summary by year of the principal maturities of the notes payable as of December 31, 2018:

Year ending December 31,

2019	\$ 187,742
2020	2,176,134
2021	14,108
2022	14,847
2023	<u>203,382</u>
Total	<u>\$ 2,596,213</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Research project on Grand Ole Opry	\$ 5,198	\$ 5,198
HCA Education and Engagement grant	7,500	7,500
Coolidge Corner Science on Screen grant	-	8,000
Red Carpet Event	-	19,500
Capital campaign for renovation of building	<u>334,265</u>	<u>739,092</u>
	<u>\$ 346,963</u>	<u>\$ 779,290</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.

Capital campaign contributions receivable from one and two donors comprised 58% and 66% of the receivable balance as of December 31, 2018 and 2017, respectively.