

BELCOURT THEATRE, INC.
NASHVILLE, TENNESSEE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Y. H. CPAs PLLC

Nashville, Tennessee
August 24, 2020

BELCOURT THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 1,007,281	\$ 915,711
Accounts receivable	18,309	14,127
Contributions receivable	16,193	15,662
Grants receivable	133,500	114,660
Inventory	15,553	18,123
Prepaid expenses	10,172	28,312
Property and equipment, net	6,080,323	6,434,769
Capital campaign assets:		
Cash	50,231	470,435
Contributions receivable, net	<u>143,508</u>	<u>334,265</u>
TOTAL ASSETS	<u><u>\$ 7,475,070</u></u>	<u><u>\$ 8,346,064</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 119,775	\$ 169,697
Future box office sales and deposits	65,032	16,176
Other current liabilities	44,233	95,730
Notes payable, net	<u>1,555,849</u>	<u>2,583,462</u>
TOTAL LIABILITIES	<u><u>1,784,889</u></u>	<u><u>2,865,065</u></u>
NET ASSETS		
Net assets without donor restrictions:		
Invested in property and equipment, net of related debt	4,524,474	3,851,307
Undesignated	<u>994,501</u>	<u>1,282,729</u>
Total net assets without donor restrictions	5,518,975	5,134,036
Net assets with donor restrictions	<u>171,206</u>	<u>346,963</u>
TOTAL NET ASSETS	<u><u>5,690,181</u></u>	<u><u>5,480,999</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,475,070</u></u>	<u><u>\$ 8,346,064</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, 2019 AND 2018

	2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
OPERATING REVENUES			
Box office sales	\$ 1,370,928	\$ -	\$ 1,370,928
Concession sales	642,725	-	642,725
Facility rental income	239,509	-	239,509
TOTAL OPERATING REVENUES	<u>2,253,162</u>	<u>-</u>	<u>2,253,162</u>
PROGRAM SERVICES - OPERATING COSTS AND EXPENSES			
Theatre	2,417,081	-	2,417,081
Concession	514,646	-	514,646
TOTAL PROGRAM SERVICES - OPERATING COSTS AND EXPENSES	<u>2,931,727</u>	<u>-</u>	<u>2,931,727</u>
LOSS FROM OPERATIONS	<u>(678,565)</u>	<u>-</u>	<u>(678,565)</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions, memberships and foundation grants, net of present value discount	551,420	405,074	956,494
Grants	234,500	-	234,500
Fundraising event revenues	123,064	-	123,064
Miscellaneous	83,769	-	83,769
Loss on disposition of equipment	(14,720)	-	(14,720)
Net assets released resulting from satisfaction of donor restrictions	580,831	(580,831)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>1,558,864</u>	<u>(175,757)</u>	<u>1,383,107</u>
SUPPORTING SERVICES			
Management and general	270,280	-	270,280
Fundraising	225,080	-	225,080
TOTAL SUPPORTING SERVICES	<u>495,360</u>	<u>-</u>	<u>495,360</u>
CHANGE IN NET ASSETS	384,939	(175,757)	209,182
NET ASSETS - BEGINNING OF YEAR	<u>5,134,036</u>	<u>346,963</u>	<u>5,480,999</u>
NET ASSETS - END OF YEAR	<u>\$ 5,518,975</u>	<u>\$ 171,206</u>	<u>\$ 5,690,181</u>

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

2018

Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 1,697,850	\$ -	\$ 1,697,850
744,358	-	744,358
<u>195,257</u>	<u>-</u>	<u>195,257</u>
<u>2,637,465</u>	<u>-</u>	<u>2,637,465</u>
2,582,970	-	2,582,970
<u>493,617</u>	<u>-</u>	<u>493,617</u>
<u>3,076,587</u>	<u>-</u>	<u>3,076,587</u>
<u>(439,122)</u>	<u>-</u>	<u>(439,122)</u>
527,225	154,915	682,140
227,050	-	227,050
110,201	-	110,201
8,841	-	8,841
(4,837)	-	(4,837)
<u>587,242</u>	<u>(587,242)</u>	<u>-</u>
<u>1,455,722</u>	<u>(432,327)</u>	<u>1,023,395</u>
234,025	-	234,025
<u>171,217</u>	<u>-</u>	<u>171,217</u>
<u>405,242</u>	<u>-</u>	<u>405,242</u>
611,358	(432,327)	179,031
<u>4,522,678</u>	<u>779,290</u>	<u>5,301,968</u>
<u>\$ 5,134,036</u>	<u>\$ 346,963</u>	<u>\$ 5,480,999</u>

BELCOURT THEATRE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				
	<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	\$ 891,658	\$ 192,049	\$ 164,614	\$ 123,460	\$ 1,371,781
Advertising and marketing	83,812	-	-	12,637	96,449
Bad debt expense	-	-	-	1,250	1,250
Bank charges and credit card fees	61,053	18,723	1,628	-	81,404
Beer, popcorn, water, soda, wine, liquor, etc.	-	212,280	-	-	212,280
Box office expenses	144,796	-	-	-	144,796
Concession supplies	-	33,212	-	-	33,212
Depreciation	328,812	13,876	10,235	-	352,923
Education	6,409	-	-	-	6,409
Equipment purchase	2,374	482	5,712	-	8,568
Equipment rental	317	-	-	-	317
Equipment repairs	986	133	-	-	1,119
Facilities upkeep	59,061	12,656	6,328	6,328	84,373
Film distribution fees	602,419	-	-	-	602,419
Insurance	18,932	252	6,058	-	25,242
Interest	60,859	13,041	6,521	6,520	86,941
Licenses and permits	4,369	2,210	-	-	6,579
Membership expenses	11,430	-	-	-	11,430
Miscellaneous	8,220	-	219	2,521	10,960
Professional fees	36,121	5,882	27,593	311	69,907
Red Carpet Event	-	-	-	60,366	60,366
Supplies, printing and postage	24,914	-	33,096	6,762	64,772
Travel and entertainment	24,573	-	3,351	-	27,924
Utilities	45,966	9,850	4,925	4,925	65,666
Total	<u>\$ 2,417,081</u>	<u>\$ 514,646</u>	<u>\$ 270,280</u>	<u>\$ 225,080</u>	<u>\$ 3,427,087</u>

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

2018

PROGRAM SERVICES		SUPPORTING SERVICES			TOTAL
THEATRE OPERATING COSTS	CONCESSION OPERATING COSTS	MANAGEMENT AND GENERAL	FUND - RAISING		
\$ 784,592	\$ 168,989	\$ 144,848	\$ 108,635	\$ 1,207,064	
62,722	-	-	14,379	77,101	
-	-	-	-	-	
67,653	20,747	1,804	-	90,204	
-	226,397	-	-	226,397	
125,047	-	-	-	125,047	
-	55,517	-	-	55,517	
342,997	11,820	-	-	354,817	
9,217	-	-	-	9,217	
1,941	2,863	570	-	5,374	
2,264	-	-	-	2,264	
-	736	-	-	736	
73,684	-	-	-	73,684	
758,028	-	-	-	758,028	
32,824	438	10,504	-	43,766	
129,690	-	-	-	129,690	
4,138	250	-	100	4,488	
19,386	-	-	-	19,386	
9,953	-	266	3,052	13,271	
36,769	5,860	50,600	296	93,525	
-	-	-	41,229	41,229	
27,142	-	25,433	3,526	56,101	
27,405	-	-	-	27,405	
67,518	-	-	-	67,518	
<u>\$ 2,582,970</u>	<u>\$ 493,617</u>	<u>\$ 234,025</u>	<u>\$ 171,217</u>	<u>\$ 3,481,829</u>	

BELCOURT THEATRE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 209,182	\$ 179,031
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	352,923	354,817
Amortization of loan origination costs	6,375	6,375
Loss on disposition of property and equipment	14,720	4,837
Bad debt expense	1,250	-
Contributions for capital campaign, net of present value discount	(387,553)	(155,943)
(Increase) decrease in:		
Accounts receivable	(4,182)	5,231
Contributions receivable	(531)	(1,308)
Grants receivable	(18,840)	(1,560)
Inventory	2,570	(6,560)
Prepaid expenses	18,140	(14,612)
Increase (decrease) in:		
Accounts payable and accrued expenses	(49,922)	65,844
Future box office sales and deposits	48,856	(4,195)
Other current liabilities	(51,497)	17,129
TOTAL ADJUSTMENTS	<u>(67,691)</u>	<u>270,055</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>141,491</u>	<u>449,086</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(13,197)</u>	<u>(12,890)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(13,197)</u>	<u>(12,890)</u>
FINANCING ACTIVITIES		
Collections for capital campaign	577,060	560,770
Principal payments on note payable	<u>(1,033,988)</u>	<u>(448,092)</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(456,928)</u>	<u>112,678</u>
(DECREASE) INCREASE IN CASH	(328,634)	548,874
CASH - BEGINNING OF YEAR	<u>1,386,146</u>	<u>837,272</u>
CASH - END OF YEAR	<u>\$ 1,057,512</u>	<u>\$ 1,386,146</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest expense paid	<u>\$ 80,566</u>	<u>\$ 118,310</u>

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

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 statements 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, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Other Revenues (Continued)

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.

Grants awarded by 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 and revenues are recognized when the events occur. Some of these revenues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the amount paid and the exchange element. The Belcourt records fundraising event revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

Donated Goods and Services

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

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

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

Cash

Cash consists principally of checking account balances.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

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 (3.50% in 2019; 2.46% in 2018). 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, 2019 and 2018.

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 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, 2019 and 2018 and is reported as theatre operating costs in the statements of activities. Amortization is expected to be \$6,376 in 2020.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising and Marketing Costs

The Belcourt expenses advertising and marketing costs as they are incurred. Advertising and marketing expense totaled \$96,449 for the year ended December 31, 2019 (\$77,101 for 2018).

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 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. Expenses allocated based on estimates of time and effort include salaries, payroll taxes and employee benefits; bank charges and credit card fees; depreciation; facilities upkeep; insurance; interest expense; miscellaneous expense and utilities.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

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 Pronouncements

On January 1, 2019, the Belcourt adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, as amended, as management believes the standard improves the usefulness and understandability of the Belcourt's financial reporting. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions. Analysis of various provisions of this standard resulted in no significant changes in the way the Belcourt recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In November 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issue Task Force)*. ASU 2016-18 provides guidance on the presentation of restricted cash in the statement of cash flows. The Foundation adopted the new standard effective January 1, 2019. The statements of cash flows have been updated to conform with the presentation requirements as of December 31, 2019 and 2018.

Recent Authoritative Accounting Guidance

In May 2014, the 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 deferred the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018, and in June 2020, in response to the COVID-19 pandemic, the FASB issued ASU 2020-05, allowing certain entities to defer implementation of ASU 2014-09 for an additional year. As a result of the issuance of ASU 2020-05, the Belcourt will defer the implementation of ASU 2014-09 until January 1, 2020. The Belcourt is currently evaluating the effect that the updated standard will have on the financial statements.

Events Occurring After Reporting Date

The Belcourt has evaluated events and transactions that occurred between December 31, 2019 and August 24, 2020, 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, 2019 AND 2018

NOTE 3 - AVAILABILITY AND LIQUIDITY

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

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash	\$ 1,057,512	\$ 1,386,146
Accounts receivable	18,309	14,127
Contributions receivable, net	159,701	349,927
Grants receivable	<u>133,500</u>	<u>114,660</u>
Total financial assets	<u>1,369,022</u>	<u>1,864,860</u>
Less amounts not available to be used within one year:		
Cash collected from capital campaign for debt repayment	(50,231)	(470,435)
Restricted by donor with time or purpose restrictions	<u>(171,206)</u>	<u>(346,963)</u>
	<u>(221,437)</u>	<u>(817,398)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,147,585</u>	<u>\$ 1,047,462</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 \$16,193 as of December 31, 2019 (\$15,662 as of December 31, 2018).

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 4 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

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

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 137,283	\$ 199,013
Due in one to five years	<u>9,160</u>	<u>143,166</u>
	146,443	342,179
Less: discount to present value	<u>(2,935)</u>	<u>(7,914)</u>
Total	<u>\$ 143,508</u>	<u>\$ 334,265</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>2019</u>	<u>2018</u>
Land	\$ 210,000	\$ 210,000
Buildings and improvements	6,883,225	6,912,374
Equipment:		
Theatre	564,398	554,568
Concession	84,271	91,429
Office	19,927	16,560
Furniture and fixtures	<u>340,652</u>	<u>340,652</u>
	8,102,473	8,125,583
Less: accumulated depreciation	<u>(2,022,150)</u>	<u>(1,690,814)</u>
	<u>\$ 6,080,323</u>	<u>\$ 6,434,769</u>

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Capital loan - interest at a fixed rate (4.10% at December 31, 2019) 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 Belcourt's assets.	\$ 1,316,401	\$ 2,337,761
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 \$5,858,269.	<u>245,824</u>	<u>258,452</u>
	1,562,225	2,596,213
Less: unamortized deferred financing costs	<u>(6,376)</u>	<u>(12,751)</u>
	<u>\$ 1,555,849</u>	<u>\$ 2,583,462</u>

The loan agreements, which are under the same credit facility, require the Belcourt to meet certain financial and nonfinancial covenants. At December 31, 2019, due to the maturity of the Capital loan in December 2020, the Belcourt was not in compliance with certain of its covenants related to maintaining a debt service coverage ratio, as outlined in the loan agreements. The Belcourt is in the process of refinancing the loan agreements with the lender to consolidate and extend the terms of the notes.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 6 - NOTES PAYABLE (CONTINUED)

The following is a summary by year of the principal maturities of the notes payable as of December 31, 2019:

Year ending December 31,

2020	\$ 1,329,774
2021	14,108
2022	14,847
2023	<u>203,496</u>
Total	<u>\$ 1,562,225</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
<u>Purpose restrictions:</u>		
Research project on Grand Ole Opry	\$ 5,198	\$ 5,198
HCA Education and Engagement grant	15,000	7,500
Coolidge Corner Science on Screen grant	<u>7,500</u>	<u>-</u>
	<u>27,698</u>	<u>12,698</u>
<u>Time restrictions:</u>		
Capital campaign for renovation of building	<u>143,508</u>	<u>334,265</u>
	<u>\$ 171,206</u>	<u>\$ 346,963</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 donor comprised 68% and 58% of the receivable balance as of December 31, 2019 and 2018, respectively. Contributions received from one source comprised approximately 26% of total contributions, memberships and foundation grants received for the year ended December 31, 2019. There were no contribution concentrations for the year ended December 31, 2018.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 10 - SUBSEQUENT EVENTS

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

In response to the pandemic and related orders of the Metropolitan Government of Nashville and Davidson County and the Governor of Tennessee, the Belcourt closed the theatre to patrons in March 2020, and began offering at-home movie rentals, online virtual seminars, weekly meetings and watch parties. The Belcourt’s operations are dependent on contributions and grants, admission-related revenues, memberships and rental fees, and the pandemic has resulted in significant declines in revenues during the closure period. While it is unknown how long these conditions will last and what the complete financial effect will be to the Belcourt, management is continuing to evaluate the evolving situation and implement appropriate countermeasures as needed.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law. The CARES Act provides an economic relief package to many businesses in the U.S. as a direct response to the adverse impacts of COVID-19. Section 1102 of the CARES Act establishes the Paycheck Protection Program (“PPP”), which is implemented by the Small Business Administration, and is intended to provide small businesses (generally those with 500 or fewer employees) with funds to pay up to 24 weeks of payroll costs and benefits, as well as interest on mortgages, rent and utilities. The funds are available in the form of a loan which is fully forgivable if at least 60% of the funds are used for payroll costs. Forgiveness of the loan may be reduced if employment and/or payroll costs decreased in the forgiveness period following receipt of funds. Any unforgiven funds will convert to a note with a 1.0% interest rate and payable over 60 months. On April 17, 2020, the Belcourt received \$280,248 from a PPP loan and it is management’s intention to have the loan forgiven based upon preliminary estimation of the forgiveness calculation. As of the date these financial statements were available to be issued, the amount of loan forgiveness has not been determined.