

BELCOURT THEATRE, INC.  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2020 AND 2019

BELCOURT THEATRE, INC.  
NASHVILLE, TENNESSEE  
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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, 2020 and 2019, 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, 2020 and 2019, 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.

*Kraft CPAs PLLC*

Nashville, Tennessee  
August 26, 2021

BELCOURT THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 1,149,894	\$ 1,007,281
Accounts receivable	19,910	18,309
Contributions receivable	27,292	16,193
Grants receivable	149,954	133,500
Inventory	18,064	15,553
Prepaid expenses	3,199	10,172
Property and equipment, net	5,786,467	6,080,323
Capital campaign assets:		
Cash	131,526	50,231
Contributions receivable, net	<u>27,143</u>	<u>143,508</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,313,449</u></u>	<u><u>\$ 7,475,070</u></u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 38,873	\$ 119,775
Future box office sales and deposits	16,524	65,032
Other current liabilities	47,464	44,233
Notes payable, net	<u>1,496,738</u>	<u>1,555,849</u>
<b>TOTAL LIABILITIES</b>	<u><u>1,599,599</u></u>	<u><u>1,784,889</u></u>
<b>NET ASSETS</b>		
Net assets without donor restrictions:		
Invested in property and equipment, net of related debt	4,289,729	4,524,474
Undesignated	<u>1,219,280</u>	<u>994,501</u>
Total net assets without donor restrictions	5,509,009	5,518,975
Net assets with donor restrictions	<u>204,841</u>	<u>171,206</u>
<b>TOTAL NET ASSETS</b>	<u><u>5,713,850</u></u>	<u><u>5,690,181</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 7,313,449</u></u>	<u><u>\$ 7,475,070</u></u>

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

BELCOURT THEATRE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

BELCOURT THEATRE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>OPERATING REVENUES</b>			
Box office sales	\$ 1,370,928	\$ -	\$ 1,370,928
Concession sales	642,725	-	642,725
Facility rental income	239,509	-	239,509
<b>TOTAL OPERATING REVENUES</b>	<b>2,253,162</b>	<b>-</b>	<b>2,253,162</b>
<b>PROGRAM SERVICES - OPERATING COSTS AND EXPENSES</b>			
Theatre	2,417,081	-	2,417,081
Concession	514,646	-	514,646
<b>TOTAL PROGRAM SERVICES - OPERATING COSTS AND EXPENSES</b>	<b>2,931,727</b>	<b>-</b>	<b>2,931,727</b>
<b>LOSS FROM OPERATIONS</b>	<b>(678,565)</b>	<b>-</b>	<b>(678,565)</b>
<b>PUBLIC SUPPORT AND OTHER REVENUES</b>			
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)	-
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUES</b>	<b>1,558,864</b>	<b>(175,757)</b>	<b>1,383,107</b>
<b>SUPPORTING SERVICES</b>			
Management and general	270,280	-	270,280
Fundraising	225,080	-	225,080
<b>TOTAL SUPPORTING SERVICES</b>	<b>495,360</b>	<b>-</b>	<b>495,360</b>
<b>CHANGE IN NET ASSETS</b>	<b>384,939</b>	<b>(175,757)</b>	<b>209,182</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>5,134,036</b>	<b>346,963</b>	<b>5,480,999</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,518,975</b>	<b>\$ 171,206</b>	<b>\$ 5,690,181</b>

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

BELCOURT THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

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

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



BELCOURT THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
	<u>THEATRE OPERATING COSTS</u>	<u>CONCESSION OPERATING COSTS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND - RAISING</u>	
Salaries, payroll taxes and employee benefits	\$ 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 and amortization	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.

BELCOURT THEATRE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 23,669	\$ 209,182
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	327,768	352,923
Amortization of loan origination costs	6,376	6,375
Loss on disposition of property and equipment	-	14,720
Bad debt expense	-	1,250
Contributions for capital campaign, net of present value discount	(2,935)	(387,553)
Grant income from Paycheck Protection Program	(280,248)	-
(Increase) decrease in:		
Accounts receivable	(1,601)	(4,182)
Contributions receivable	(11,099)	(531)
Grants receivable	(16,454)	(18,840)
Inventory	(2,511)	2,570
Prepaid expenses	6,973	18,140
Increase (decrease) in:		
Accounts payable and accrued expenses	(80,902)	(49,922)
Future box office sales and deposits	(48,508)	48,856
Other current liabilities	3,231	(51,497)
<b>TOTAL ADJUSTMENTS</b>	<u>(99,910)</u>	<u>(67,691)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>(76,241)</u>	<u>141,491</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(33,912)</u>	<u>(13,197)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(33,912)</u>	<u>(13,197)</u>
<b>FINANCING ACTIVITIES</b>		
Collections for capital campaign	119,300	577,060
Proceeds from Paycheck Protection Program loan	280,248	-
Principal payments on notes payable	<u>(65,487)</u>	<u>(1,033,988)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>334,061</u>	<u>(456,928)</u>
<b>INCREASE (DECREASE) IN CASH</b>	223,908	(328,634)
<b>CASH - BEGINNING OF YEAR</b>	<u>1,057,512</u>	<u>1,386,146</u>
<b>CASH - END OF YEAR</b>	<u>\$ 1,281,420</u>	<u>\$ 1,057,512</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest expense paid	<u>\$ 71,731</u>	<u>\$ 80,566</u>
<b>NON-CASH TRANSACTIONS</b>		
Consolidation of notes payable	<u>\$ 1,496,738</u>	<u>\$ -</u>

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

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

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, which fulfills the Belcourt's performance obligation. Some of these revenues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the amount paid and the exchange element. The Belcourt records fundraising event revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

Donated Goods and Services

Donated 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, 2020 AND 2019

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). The discount for 2020 is immaterial to record. 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, 2020 and 2019.

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 fixtures 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 \$6,376 for the year ended December 31, 2020 (\$6,375 for 2019) and is reported as theatre operating costs in the statements of activities. Amortization of debt issuance costs will be \$2,385 each year during the period from 2021 to 2024 and \$2,383 in 2025.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

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 \$32,451 for the year ended December 31, 2020 (\$96,449 for 2019).

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; advertising and marketing; bank charges and credit card fees; depreciation; facilities upkeep; insurance; interest expense; miscellaneous expense; professional fees and utilities.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

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, 2020, the Belcourt adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customer (Topic 606)* and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the entity expects to be entitled in an exchange of goods or services. The Belcourt adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2020. The Belcourt performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include sponsorships, ticket sales, reimbursements, concession sales and ticketing services charges and fees. The Belcourt recognizes revenues that fall within the scope of ASC 606 at the point in time it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, the Belcourt did not record a cumulative effect adjustment.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Guidance

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Belcourt beginning on January 1, 2021. The Belcourt is currently evaluating the impact of this new guidance on its financial statements.

Events Occurring After Reporting Date

The Belcourt has evaluated events and transactions that occurred between December 31, 2020 and August 26, 2021, 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>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 1,281,420	\$ 1,057,512
Accounts receivable	19,910	18,309
Contributions receivable, net	54,435	159,701
Grants receivable	<u>149,954</u>	<u>133,500</u>
Total financial assets	<u>1,505,719</u>	<u>1,369,022</u>
Less amounts not available to be used within one year:		
Cash collected from capital campaign for debt repayment	(131,526)	(50,231)
Restricted by donor with time or purpose restrictions	<u>(204,841)</u>	<u>(171,206)</u>
	<u>(336,367)</u>	<u>(221,437)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,169,352</u>	<u>\$ 1,147,585</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.



BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Beginning of year	<u>\$ 18,309</u>	<u>\$ 14,127</u>	<u>\$ 65,032</u>	<u>\$ 16,176</u>
End of year	<u>\$ 19,910</u>	<u>\$ 18,309</u>	<u>\$ 16,524</u>	<u>\$ 65,032</u>

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable for operating purposes are due in less than one year and amounted to \$27,292 as of December 31, 2020 (\$16,193 as of December 31, 2019).

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

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 21,394	\$ 137,283
Due in one to five years	<u>5,749</u>	<u>9,160</u>
	27,143	146,443
Less: discount to present value	<u>-</u>	<u>(2,935)</u>
Total	<u>\$ 27,143</u>	<u>\$ 143,508</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.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 210,000	\$ 210,000
Building and improvements	6,883,224	6,883,224
Equipment:		
Theatre	598,310	564,398
Concession	84,271	84,271
Office	19,927	19,927
Furniture and fixtures	<u>340,653</u>	<u>340,653</u>
	8,136,385	8,102,473
Less: debt issue costs	<u>(2,349,918)</u>	<u>(2,022,150)</u>
	<u>\$ 5,786,467</u>	<u>\$ 6,080,323</u>

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Promissory note - interest at a fixed rate (3.95% at December 2020) 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.	\$ 1,508,661	\$ -
Capital loan - fixed interest rate of 4.10% on outstanding principal, interest due in monthly installments and principal payments due annually and varying based on capital campaign collections subject to minimum amounts; secured by substantially all the Belcourt's assets. During 2020 this loan was refinanced and consolidated with the entity's mortgage loan.	-	1,316,401
Mortgage loan - fixed interest of 5.10%; outstanding principal and interest paid off and consolidated with the capital loan during 2020.	<u>-</u>	<u>245,824</u>
	1,508,661	1,562,225
Less: unamortized debt issue costs	<u>(11,923)</u>	<u>(6,376)</u>
	<u>\$ 1,496,738</u>	<u>\$ 1,555,849</u>

The loan agreement requires Belcourt to meet certain financial and nonfinancial covenants. At December 31, 2020, Belcourt was in compliance with its covenants.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 7 - NOTES PAYABLE (CONTINUED)

The following is a summary by year of the principal maturities of the note payable as of December 31, 2020:

Year ending December 31,

2021	\$ 35,593
2022	37,045
2023	38,556
2024	39,973
2025	<u>1,357,494</u>
Total	<u>\$ 1,508,661</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
<u>Purpose restrictions:</u>		
Research project on Grand Ole Opry	\$ 5,198	\$ 5,198
HCA Education and Engagement grant	15,000	15,000
Coolidge Corner Science on Screen grant	<u>7,500</u>	<u>7,500</u>
	<u>27,698</u>	<u>27,698</u>
<u>Time restrictions:</u>		
Amazon COVID relief assistance	150,000	-
Capital campaign for renovation of building	<u>27,143</u>	<u>143,508</u>
	<u>\$ 204,841</u>	<u>\$ 171,206</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 two and one donor comprised 55% and 68% of the receivable balance as of December 31, 2020 and 2019, respectively. Contributions received from two and one source comprised approximately 36% and 26% of total contributions, memberships and foundation grants received for the years ended December 31, 2020 and 2019, respectively.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 10 - COVID - 19 PANDEMIC AND 2020 OPERATIONS

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

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

During April 2020, as a result of economic uncertainty, Belcourt applied for and received a \$280,248 loan through the Paycheck Protection Program (“PPP”) as set forth in Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act, commonly known as the CARES Act. The loan proceeds were spent on payroll costs and benefits, as well as interest on mortgages, rent and utilities. Accordingly, during February 2021, Belcourt received forgiveness of the entire loan amount as specified in the PPP regulations. The forgiven PPP amount is included in grants revenue in the accompanying 2020 statement of activities.

Subsequent to year end, the Belcourt received a second PPP loan in the amount of \$280,248 with substantially the same terms as above. At the time the financial statements were available to be issued, the Belcourt had not applied for forgiveness and the forgiveness amount has not been determined.