

BELCOURT THEATRE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015 AND 2014

BELCOURT THEATRE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION  
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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, 2015 and 2014, and the related statements of activities 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, 2015 and 2014, 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.

OTHER MATTER

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "K. H. CPAs PLLC". The signature is written in a cursive, stylized font.

Nashville, Tennessee  
April 29, 2016

BELCOURT THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2015

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 547,536	\$ 604,853
Accounts receivable	14,724	2,200
Contributions receivable	1,468	3,250
Grants receivable	104,836	96,850
Inventory	7,895	12,745
Prepaid expenses	9,662	11,772
Property and equipment, net	1,666,364	1,460,580
Capital campaign assets:		
Cash	1,230,589	250,000
Contributions receivable, net	2,175,595	-
Debt issue costs, net	<u>29,751</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,788,420</u></b>	<b><u>\$ 2,442,250</u></b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 49,129	\$ 84,222
Construction costs payable	91,321	-
Future box office sales and deposits	7,887	21,564
Other current liabilities	35,413	43,595
Note payable	<u>298,722</u>	<u>313,282</u>
<b>TOTAL LIABILITIES</b>	<b><u>482,472</u></b>	<b><u>462,663</u></b>
<b>NET ASSETS</b>		
Unrestricted:		
Designated for property and equipment, net of related debt	1,276,321	1,147,298
Undesignated	<u>693,930</u>	<u>563,591</u>
Total unrestricted	1,970,251	1,710,889
Temporarily restricted	<u>3,335,697</u>	<u>268,698</u>
<b>TOTAL NET ASSETS</b>	<b><u>5,305,948</u></b>	<b><u>1,979,587</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,788,420</u></b>	<b><u>\$ 2,442,250</u></b>

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

BELCOURT THEATRE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Box office sales	\$ 852,420	\$ -	\$ 852,420
Concession sales	447,452	-	447,452
Facility rental income	157,391	-	157,391
<b>TOTAL OPERATING REVENUES</b>	<u>1,457,263</u>	<u>-</u>	<u>1,457,263</u>
<b>PROGRAM SERVICES - OPERATING COSTS AND EXPENSES</b>			
Theatre	1,486,009	-	1,486,009
Concession	314,129	-	314,129
<b>TOTAL PROGRAM SERVICES - OPERATING COSTS AND EXPENSES</b>	<u>1,800,138</u>	<u>-</u>	<u>1,800,138</u>
<b>LOSS FROM OPERATIONS</b>	<u>(342,875)</u>	<u>-</u>	<u>(342,875)</u>
<b>PUBLIC SUPPORT AND OTHER REVENUES</b>			
Contributions, memberships and foundation grants, net of present value discount	202,216	3,505,128	3,707,344
Grants	212,930	-	212,930
Fundraising events and sponsorships	94,927	-	94,927
Miscellaneous	5,251	-	5,251
Net assets released from restrictions	438,129	(438,129)	-
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUES</b>	<u>953,453</u>	<u>3,066,999</u>	<u>4,020,452</u>
<b>SUPPORTING SERVICES</b>			
Management and general	182,740	-	182,740
Fundraising	168,476	-	168,476
<b>TOTAL SUPPORTING SERVICES</b>	<u>351,216</u>	<u>-</u>	<u>351,216</u>
<b>CHANGE IN NET ASSETS</b>	259,362	3,066,999	3,326,361
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,710,889</u>	<u>268,698</u>	<u>1,979,587</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,970,251</u>	<u>\$ 3,335,697</u>	<u>\$ 5,305,948</u>

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

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 996,547	\$ -	\$ 996,547
463,297	-	463,297
<u>158,780</u>	<u>-</u>	<u>158,780</u>
1,618,624	-	1,618,624
1,445,448	-	1,445,448
<u>298,334</u>	<u>-</u>	<u>298,334</u>
1,743,782	-	1,743,782
<u>(125,158)</u>	<u>-</u>	<u>(125,158)</u>
279,451	263,500	542,951
198,840	-	198,840
65,802	-	65,802
5,222	-	5,222
<u>12,000</u>	<u>(12,000)</u>	<u>-</u>
561,315	251,500	812,815
164,511	-	164,511
<u>108,195</u>	<u>-</u>	<u>108,195</u>
272,706	-	272,706
163,451	251,500	414,951
<u>1,547,438</u>	<u>17,198</u>	<u>1,564,636</u>
<u>\$ 1,710,889</u>	<u>\$ 268,698</u>	<u>\$ 1,979,587</u>

BELCOURT THEATRE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,326,361	\$ 414,951
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	112,322	110,044
Contributions for capital campaign, net of present value discount	(3,433,071)	(250,000)
(Increase) decrease in:		
Accounts receivable	(12,524)	38
Contributions receivable	1,782	(3,250)
Grants receivable	(7,986)	(2,650)
Inventory	4,850	(4,272)
Prepaid expenses	2,110	(425)
Increase (decrease) in:		
Accounts payable and accrued expenses	(35,093)	18,967
Future box office sales and deposits	(13,677)	12,889
Other current liabilities	(8,182)	10,277
<b>TOTAL ADJUSTMENTS</b>	<u>(3,389,469)</u>	<u>(108,382)</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(63,108)</u>	<u>306,569</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(226,785)	(52,876)
Net increase in cash held for capital campaign	(980,589)	(250,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,207,374)</u>	<u>(302,876)</u>
<b>FINANCING ACTIVITIES</b>		
Collections for capital campaign	1,257,476	250,000
Debt issue costs	(29,751)	-
Principal payments on note payable	(14,560)	(31,446)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>1,213,165</u>	<u>218,554</u>
<b>(DECREASE) INCREASE IN CASH</b>	(57,317)	222,247
<b>CASH - BEGINNING OF YEAR</b>	<u>604,853</u>	<u>382,606</u>
<b>CASH - END OF YEAR</b>	<u>\$ 547,536</u>	<u>\$ 604,853</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest expense paid	<u>\$ 15,066</u>	<u>\$ 18,305</u>
Construction costs incurred and not paid	<u>\$ 91,321</u>	<u>\$ -</u>

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

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

NOTE 1 - GENERAL

Belcourt Theatre, Inc. (the "Belcourt"), is a Tennessee not-for-profit corporation chartered in February 1999. The Belcourt was organized to preserve and operate the Belcourt Theatre, built in 1925, in its historical role as a home for film, theatre, music and community events. The Belcourt receives operating revenues from box office and concession sales, facility rentals and membership fees, and public support funding from state and local government grants, foundation and private contributions, and special events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Belcourt had no permanently restricted net assets as of December 31, 2015 or 2014.

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, 2015 AND 2014

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 unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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

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

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using the risk-free interest rate applicable to the year in which the promise is received (1.31% in 2015; not applicable in 2014). 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, 2015.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

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 (\$1,500 in 2014) and an estimated useful life greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from five to ten years for equipment and furniture and fifteen to thirty years for building and improvements. Land is not considered a depreciable asset; therefore a useful life is not assigned.

Debt Issue Costs

Debt issue costs have been capitalized and are being amortized by the straight-line method over the related term of the loan. Debt issue costs of \$29,751 were incurred in December 2015. Amortization of these costs will be \$5,950 each year through 2020.

Advertising and Marketing Costs

The Belcourt expenses advertising and marketing costs as they are incurred. Advertising and marketing expense totaled \$78,790 for the year ended December 31, 2015 (\$54,245 for 2014).

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, 2015 AND 2014

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

Allocation of Functional Expenses

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

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

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. The Belcourt files U.S. Federal Form 990 for organizations exempt from income tax, and Form 990-T, an exempt organization income tax return.

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.

Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance on revenue from contracts with customers, 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 U.S. 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 Accounting Standards Update ("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.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (continued)

In April 2015, the Financial Accounting Standards Board (“FASB”) issued guidance requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Accounting Standards Update (“ASU”) 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. This ASU will be effective for the Belcourt for fiscal years beginning after December 15, 2015. The adoption of this standard is not expected to have a material impact on the Belcourt’s financial statements.

In July 2015, the FASB issued guidance that requires entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. This ASU will be effective for fiscal years beginning after December 15, 2016. Early adoption of the ASU is permitted. The Belcourt has elected to early adopt this ASU. The adoption of this ASU did not have a material effect on the financial statements.

Events Occurring After Reporting Date

The Belcourt has evaluated events and transactions that occurred between December 31, 2015 and April 29, 2016, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable for operating purposes are due in less than one year and amounted to: 2015 - \$1,468; 2014 - \$3,250.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

NOTE 3 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

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

	<u>2015</u>	<u>2014</u>
Temporarily restricted:		
Due in less than one year	\$ 925,601	\$ -
Due in one to five years	<u>1,294,551</u>	<u>-</u>
	2,220,152	-
Less: Discount to present value	<u>(44,557)</u>	<u>-</u>
Total	<u>\$ 2,175,595</u>	<u>\$ -</u>

The Belcourt's capital campaign is to fund the renovation, construction and preservation of the theatre facility. The renovation project is discussed further in Note 4.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Land	\$ 210,000	\$ 210,000
Buildings and improvements	1,368,277	1,360,276
Equipment:		
Theatre	350,703	350,703
Concession	28,029	24,728
Office	10,656	10,656
Furniture and fixtures	163,019	163,019
Construction in process	<u>306,803</u>	<u>-</u>
	2,437,487	2,119,382
Less: accumulated depreciation	<u>(771,123)</u>	<u>(658,802)</u>
	<u>\$ 1,666,364</u>	<u>\$ 1,460,580</u>

Depreciation expense amounted to: 2015 - \$112,322; 2014 - \$110,044.

The Belcourt is conducting a capital campaign for the renovation and construction of the Theatre facility. Renovation and construction plans were finalized and in December 2015, the Belcourt closed for renovation. The duration of the closure is anticipated to be five to six months. Construction commitments for the renovation approximate \$4,500,000 at December 31, 2015.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

NOTE 5 - NOTES PAYABLE

Notes payable consisted of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Mortgage loan - principal and interest at 5.00%, due in monthly installments of \$2,469, with final payment of remaining principal balance due March 2018; secured by deed of trust on real estate.	<u>\$ 298,722</u>	<u>\$ 313,282</u>

The note agreement requires the Belcourt to meet certain financial covenants, including a minimum debt service coverage ratio. As of December 31, 2015, the Belcourt was in compliance with these covenants.

The following is a summary by year of the principal maturities of the note payable as of December 31, 2015:

<u>Year ending December 31,</u>	
2016	\$ 14,993
2017	15,760
2018	<u>267,969</u>
Total	<u>\$ 298,722</u>

On December 30, 2015, the Belcourt entered into a \$4,000,000 construction loan agreement with a lending institution. The purpose of the loan is to finance the improvements of the theatre facility. The agreement matures on December 30, 2020. Substantially all assets of the Belcourt are pledged as collateral under the agreement. There were no outstanding borrowings under the agreement at December 31, 2015.

BELCOURT THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015 AND 2014

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Research project on Grand Ole Opry	\$ 5,198	\$ 5,198
HCA Education and Engagement grant	5,000	5,000
Coolidge Corner Science on Screen grant	8,500	8,500
Red Carpet Event	9,000	-
Capital campaign for renovation of building	<u>3,307,999</u>	<u>250,000</u>
	<u>\$ 3,335,697</u>	<u>\$ 268,698</u>

NOTE 7 - 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.

During 2015, the Belcourt received approximately 50% of its total revenues and support from three contributors. Capital campaign contributions receivable from two contributions comprised 54% of the receivable balance as of December 31, 2015. During 2014, the Belcourt received capital campaign contributions of \$250,000 from one donor.

SUPPLEMENTARY INFORMATION

BELCOURT THEATRE, INC.

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				
	<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	\$ 559,318	\$ 120,469	\$ 103,259	\$ 77,443	\$ 860,489
Advertising and marketing	48,307	-	-	30,483	78,790
Bank charges and credit card fees	33,935	10,407	905	-	45,247
Beer, popcorn, water, soda, wine, liquor, etc.	-	150,587	-	-	150,587
Box office expenses	50,261	-	-	-	50,261
Concession supplies	-	30,696	-	-	30,696
Depreciation and amortization	110,658	1,664	-	-	112,322
Equipment purchase	14,125	-	-	-	14,125
Equipment rental	6,176	-	-	-	6,176
Equipment repairs	7,739	-	-	-	7,739
Facilities upkeep	47,614	-	-	-	47,614
Film distribution fees	380,307	-	-	-	380,307
Insurance	22,929	306	7,337	-	30,572
Licenses and permits	6,084	-	-	-	6,084
Interest	15,066	-	-	-	15,066
Membership expenses	14,774	-	-	-	14,774
Miscellaneous	11,623	-	310	3,564	15,497
nD Festival	-	-	-	-	-
Red carpet event	-	-	-	29,504	29,504
Professional fees	20,970	-	45,093	23,940	90,003
Supplies, printing and postage	53,623	-	25,016	-	78,639
Travel and entertainment	25,588	-	820	3,542	29,950
Utilities	56,912	-	-	-	56,912
<b>Total</b>	<b>\$ 1,486,009</b>	<b>\$ 314,129</b>	<b>\$ 182,740</b>	<b>\$ 168,476</b>	<b>\$ 2,151,354</b>

## 2014

PROGRAM SERVICES		SUPPORTING SERVICES		
THEATRE OPERATING COSTS	CONCESSION OPERATING COSTS	MANAGEMENT AND GENERAL	FUND - RAISING	TOTAL
\$ 487,357	\$ 104,969	\$ 89,974	\$ 67,480	\$ 749,780
42,426	-	-	11,819	54,245
33,233	10,192	636	250	44,311
-	146,631	-	-	146,631
42,157	-	-	-	42,157
-	32,393	-	-	32,393
108,532	1,512	-	-	110,044
5,675	1,079	-	-	6,754
2,952	-	-	-	2,952
365	28	-	-	393
43,955	-	-	-	43,955
454,864	-	-	-	454,864
19,531	260	6,250	-	26,041
3,447	1,270	-	22	4,739
18,305	-	-	-	18,305
15,409	-	-	-	15,409
11,362	-	303	3,484	15,149
-	-	-	158	158
-	-	-	24,982	24,982
29,493	-	49,529	-	79,022
46,520	-	16,999	-	63,519
21,688	-	820	-	22,508
58,177	-	-	-	58,177
<u>\$ 1,445,448</u>	<u>\$ 298,334</u>	<u>\$ 164,511</u>	<u>\$ 108,195</u>	<u>\$ 2,016,488</u>