

BEACON CENTER OF TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2014

(With Independent Auditor's Report Thereon)

BEACON CENTER OF TENNESSEE
FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 – 10



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Beacon Center of Tennessee

We have audited the accompanying financial statements of Beacon Center of Tennessee (a nonprofit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year 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 from 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 audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit 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 Beacon Center of Tennessee as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Beacon Center of Tennessee's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 1, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

May 11, 2015

BEACON CENTER OF TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

	<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets:			
Cash		\$ 405,828	\$ 236,114
Accounts receivable		6,000	-
Prepaid insurance		1,042	1,245
Total current assets		<u>412,870</u>	<u>237,359</u>
Property and equipment, net		<u>11,148</u>	<u>8,519</u>
Other asset - deposit		<u>4,907</u>	<u>750</u>
Asset Whose Use is Limited:			
Cash		230,901	173,042
Grant receivable		-	39,000
Total asset whose use is limited		<u>230,901</u>	<u>212,042</u>
		<u><u>\$ 659,826</u></u>	<u><u>\$ 458,670</u></u>

	<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:			
Accounts payable		\$ 22,359	\$ 5,668
Accrued payroll		8,210	6,149
Total current liabilities		<u>30,569</u>	<u>11,817</u>
Net Assets:			
Unrestricted		398,356	234,811
Temporarily restricted		230,901	212,042
Total net assets		<u>629,257</u>	<u>446,853</u>
		<u><u>\$ 659,826</u></u>	<u><u>\$ 458,670</u></u>

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
Public Support and Revenue:					
Public support:					
Corporate contributions	\$ 16,000	\$ -	\$ -	\$ 16,000	\$ 14,672
Individual contributions	428,871	-	-	428,871	276,253
Foundation contributions	106,000	432,000	-	538,000	932,250
In-kind revenue	3,927	-	-	3,927	9,365
Net assets released from restriction	<u>413,141</u>	<u>(413,141)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	<u>967,939</u>	<u>18,859</u>	<u>-</u>	<u>986,798</u>	<u>1,232,540</u>
Revenue:					
Loss on sale of donated investment	-	-	-	-	(391)
Other income, net	11,668	-	-	11,668	-
Interest income	<u>1,402</u>	<u>-</u>	<u>-</u>	<u>1,402</u>	<u>857</u>
Total revenue	<u>13,070</u>	<u>-</u>	<u>-</u>	<u>13,070</u>	<u>466</u>
Total public support and revenue	<u>981,009</u>	<u>18,859</u>	<u>-</u>	<u>999,868</u>	<u>1,233,006</u>
Expenses:					
Program services	622,417	-	-	622,417	912,234
Management and general	<u>60,012</u>	<u>-</u>	<u>-</u>	<u>60,012</u>	<u>58,445</u>
Fundraising					
Direct mailing fundraising (Note 8)	60,531	-	-	60,531	48,868
Other fundraising	<u>74,504</u>	<u>-</u>	<u>-</u>	<u>74,504</u>	<u>69,496</u>
Total fundraising	<u>135,035</u>	<u>-</u>	<u>-</u>	<u>135,035</u>	<u>118,364</u>
Total expenses	<u>817,464</u>	<u>-</u>	<u>-</u>	<u>817,464</u>	<u>1,089,043</u>
Increase in net assets	163,545	18,859	-	182,404	143,963
Net assets - beginning of year	<u>234,811</u>	<u>212,042</u>	<u>-</u>	<u>446,853</u>	<u>302,890</u>
Net assets - end of year	<u>\$ 398,356</u>	<u>\$ 230,901</u>	<u>\$ -</u>	<u>\$ 629,257</u>	<u>\$ 446,853</u>

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Increase in net assets	<u>\$ 182,404</u>	<u>\$ 143,963</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,574	3,572
Changes in:		
Accounts receivable	(6,000)	-
Prepaid insurance	203	134
Other asset	(4,157)	-
Asset whose use is limited	(18,859)	(59,574)
Accounts payable	16,691	2,507
Accrued payroll	2,061	-
Total adjustments	<u>(6,487)</u>	<u>(53,361)</u>
Net cash provided by operating activities	<u>175,917</u>	<u>90,602</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(6,203)</u>	<u>(3,558)</u>
Net cash used in investing activities	<u>(6,203)</u>	<u>(3,558)</u>
Net increase in cash	169,714	87,044
Cash - beginning of year	<u>236,114</u>	<u>149,070</u>
Cash - end of year	<u><u>\$ 405,828</u></u>	<u><u>\$ 236,114</u></u>

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms "we", "us", "our" or "Beacon Center" are used throughout these notes to the financial statement to identify Beacon Center of Tennessee, a non-profit organization.

The Beacon Center of Tennessee empowers Tennesseans to reclaim control of their lives, so that they can freely pursue their version of the American Dream. The Beacon Center exists to increase public awareness of Tennessee public policy issues; to support and conduct nonpartisan research; to present educational and informational activities to increase public awareness of governmental activities; to provide research and information to citizens, policy makers, and the media; to sponsor reports, meetings and workshops concerning free market remedies for public policy issues; to educate the public about the benefits of a limited, responsible government and a free society; and to engage in selective litigation that is deemed highly meritorious and likely to advance the other articulated purposes for the Beacon Center's existence, whether on its own behalf or representing or supporting a worthy party, and whether as a party to the litigation or as an *amicus curiae*.

Some may call Beacon Center a think tank. But we do more than closely study important issues. We come up with solutions and show policymakers and the Tennesseans they represent why our solutions work. In addition to our top-notch research, we also hold educational events, publish infographics, podcasts, and videos, and tell the stories of Tennesseans who are impacted by government policies. So far we have successfully pushed for bold reforms in education, healthcare, economic regulations and tax reform, among many others.

By giving Tennesseans more control over their own lives – whether it's making our own healthcare decisions, choosing where to send our kids to school, or keeping more of our hard-earned money – we can make Tennessee the freest, most prosperous state in the nation.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations, which may or will be met, either by our actions and/or by the passage of time. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of December 31, 2014 and 2013.

Reclassifications

Certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

NOTE 1 - Summary of Significant Accounting Policies (continued)

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2013 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended December 31, 2013, from which it was derived.

Revenue

We receive contributions from the general public and grants from private organization to fund our operations. We recognize this revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations. We recognize grant revenue when the grant is awarded. See Note 4 for our discussion of restricted revenue.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2014 and 2013, we had no cash equivalents.

Promises to Give

Unconditional promises to give are recognized as support and revenues in the period promised and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Account Receivable and Grant Receivable

At December 31, 2014 and 2013, no allowance was considered necessary for uncollectible receivables based upon our analysis of past collection expense with donors and grantors.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

Property and Equipment

Property and equipment are recorded at cost, or if contributed, at fair market value as of the date of the gift. Assets with a cost in excess of \$500 are capitalized. Depreciable assets are being depreciated using the straight line method over the estimated useful lives of the assets, which range from three to six years. Maintenance and repairs are charged to expense as incurred, and betterments are capitalized.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2014 and 2013, no assets were considered to be impaired.

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

NOTE 1 - Summary of Significant Accounting Policies (continued)

Investments

Our policy is to immediately sell any donated stock and investments.

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

We had no investments in the year ended December 31, 2014. In 2013, all of our investments were based on level 1 inputs at the active market prices.

In 2013, we received donated stock of \$13,700 which was recorded at its fair value at the date of donation. The stock was immediately sold in 2013.

Donated Services and Goods

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 us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Unreimbursed expenses of board members incurred while serving or traveling for our service and benefit are reported as in-kind revenue and expense in accordance with the criteria of generally accepted accounting principles. Total in-kind revenue for the year ended December 31, 2014 and 2013, was \$3,927 and \$9,365, respectively.

Advertising

Advertising is expensed as incurred.

Income Tax Status

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2011.

Concentrations of Credit Risk

At December 31, 2014, we owed 100% of our payables to four vendors. At December 31, 2013, we owed 100% of our payables to two vendors.

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash Concentrations

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that it is exposed to any significant credit risk on our cash.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Values of Financial Instruments

The carrying values of current assets, current liabilities, and restricted cash approximate fair values due to the short maturities of these instruments.

NOTE 2 - Property and Equipment

A summary of property and equipment at December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Computers	\$ 27,815	\$ 26,657
Furniture and fixtures	23,764	18,719
Leasehold improvements	<u>3,511</u>	<u>3,511</u>
	55,090	48,887
Less: accumulated depreciation	<u>(43,942)</u>	<u>(40,368)</u>
	<u>\$ 11,148</u>	<u>\$ 8,519</u>

NOTE 3 - Accounts Payable

A summary of accounts payable at December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Accounts payable	\$ 21,629	\$ 4,758
Employee benefits payable	<u>730</u>	<u>910</u>
	<u>\$ 22,359</u>	<u>\$ 5,668</u>

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

NOTE 4 - Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
School choice grants	\$ 165,901	\$ 197,078
Direct mailing grant – See Note 8	-	1,194
Fundraising development audit grant	-	4,770
Healthcare storytelling grant	-	9,000
Fellowship program	25,000	-
Website development grant	25,000	-
Tennessee Medicaid education grant	15,000	-
Total temporarily restricted net assets	<u>\$ 230,901</u>	<u>\$ 212,042</u>

NOTE 5 – Minimum Lease Obligation

We lease office space under a lease classified as an operating lease. Total rent expense for the years ended December 31, 2014 and 2013, was \$58,884 and \$34,652, respectively.

The following is a schedule of future minimum lease payments:

Year Ending December 31,

2015	\$ 60,651
2016	<u>62,473</u>
	<u>\$ 123,124</u>

NOTE 6 – Employee Benefit Plan

We have a voluntary simple IRA retirement plan for employees. We match up to a maximum of three percent of each employee's base salary. New employees must wait 90 days before enrolling in the plan. Our employee benefit plan expense for the years ended December 31, 2014 and 2013, was \$6,830 and \$5,923, respectively.

NOTE 7 - Other Income, net

Other income and expenses, net, at December 31, 2014 and 2013, consists of the following:

	<u>2014</u>	<u>2013</u>
Compensation - landlord breaking lease agreement	15,000	-
Moving expenses	<u>(3,332)</u>	<u>-</u>
	<u>\$ 11,668</u>	<u>\$ -</u>

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

NOTE 8 – Direct Mailing Grant

In 2014 and 2013, we received a direct mailing grant. The funds associated with this grant are required to be used for prospecting potential donors via direct mailings. Compliance with this grant required us to spend more funds on fundraising expenses than we would if we had not received the grant. The direct mailing grant expenses are shown separately on the Statement of Activities.

NOTE 9 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2014. As of May 11, 2015, the date the financial statements were available to be issued, no events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended December 31, 2014.