2012

Financial Statements

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BEACON CENTER OF TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2012

(With Independent Auditor's Report Thereon)

BEACON CENTER OF TENNESSEE
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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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, 2012, 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 of 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, 2012, 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.

Patterson Hardee & Ballentine

March 9, 2013

1889 General George Patton Drive, Suite 200 Franklin, TN 37067 phone: 615-750-5537 fax: 615-750-5543

BEACON CENTER OF TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current Assets:				
Cash	$	149,070		
Prepaid insurance		1,379		
Total current assets			$	150,449
Property and equipment, net				8,533
Other asset - deposit				750
Asset Whose Use is Limited:				
Cash				152,468
			$	312,200

LIABILITIES AND NET ASSETS

Current Liabilities:				
Accounts payable	$	4,031		
Wages payable		3,699		
Employee benefits payable		1,580		
Total current liabilities			$	9,310
Net Assets:				
Unrestricted		150,422		
Total unrestricted net assets				150,422
Temporarily restricted		152,468		
Total restricted net assets				152,468
Total net assets				302,890
			$	312,200

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Public support:				
Corporate contributions	$ 8,750	$ 1,000	$ -	$ 9,750
Individual contributions	172,998	6,650	-	179,648
Foundation contributions	51,996	237,000	-	288,996
Released from restriction	171,254	(171,254)	-	-
Total public support	404,998	73,396	-	478,394
Revenue:				
Other income	2,333			2,333
Interest income	1,263	-	-	1,263
Total revenue	3,596	-	-	3,596
Total public support and revenue	408,594	73,396	-	481,990
Expenses:				
Program services	295,510	-	-	295,510
Management and general	51,361	-	-	51,361
Fundraising	111,440	-	-	111,440
Total expenses	458,311	-	-	458,311
Increase (decrease) in net assets	(49,717)	73,396	-	23,679
Net assets - beginning of year	200,139	79,072	-	279,211
Net assets - end of year	$ 150,422	$ 152,468	$ -	$ 302,890

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows From Operating Activities:		
Decrease in net assets		$ 23,679
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	6,826	
Changes in:		
Prepaid insurance	(614)	
Asset whose use is limited	(73,396)	
Accounts payable	(2,305)	
Total adjustments		(69,489)
Net cash provided by operating activities		(45,810)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(6,678)	
Net cash used in investing activities		(6,678)
Net increase in cash		(52,488)
Cash - beginning of year		201,558
Cash - end of year		$ 149,070

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms ""we", "us", or "our"" are used throughout these notes to the financial statements to identify the Beacon Center of Tennessee, a non-profit organization. We are dedicated to providing concerned citizens, the media and public leaders with expert empirical research and timely free market policy solutions to public policy issues in Tennessee.

Revenue

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

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.

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, 2012, we had no cash equivalents.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization which 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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status

We adopted guidance issued by FASB with respect to accounting for uncertain tax positions as of January 1, 2009. A tax position is recognized as a benefit only if it is "more likely than not" the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on our financial statements. We recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. We have no amounts accrued for interest or penalties as of December 31, 2012. We are no longer subject to examination by U.S. federal and state taxing authorities for years before 2009. Therefore, no provision for income taxes is included in the accompanying financial statements

Long-lived Assets

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, 2012, no assets were considered to be impaired.

Functional Allocation of Expenses

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

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.

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.

Advertising

Costs for marketing efforts typically consist of educational material for the public and are expensed as incurred. Total advertising expense for the year ended December 31, 2012, was $1,155.

NOTE 2 - Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight line basis over the estimated useful lives of the respective assets. Purchases or donations of equipment over $500 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. A summary of property and equipment at December 31, 2012, is as follows:

Computers	$ 23,099
Furniture and fixtures	18,719
Leasehold improvements	3,511
	45,329
Less: accumulated depreciation	(36,796)
	$ 8,533

NOTE 3 - 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.

At the year ended December 31, 2012, we owed 100% of our total payables to one vendor.

NOTE 4 - Temporarily Restricted Net Assets

We accepted four restricted grants during 2012. The grants are restricted for direct mail campaigns, investigative journalism projects, and school choice campaigns. All amounts received for these projects are recorded as restricted revenue when the amounts are received or promised and are released from restriction in accordance with generally accepted accounting principles for nonprofit organizations as the restrictions are fulfilled.

A summary of temporarily restricted net assets at December 31, 2012, is as follows:

School choice grants	$ 81,853
Investigative reporter grant	50,553
Direct mailing grant	20,062
	$ 152,468

NOTE 5 - Minimum Lease Obligation

We lease office space under a lease classified as an operating lease. Total rental expense for the year ended December 31, 2012 was $27,572. Future minimum lease payments are as follows:

2013	$ 36,700
2014	47,950
2015	52,133
2016	53,733
2017	13,600
Thereafter	-
Total	$ 204,116

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 in 2012 was $5,302.

NOTE 7 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2012. As of March 9, 2013, 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, 2012.