THE CONTRIBUTOR, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

THE CONTRIBUTOR, INC.

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Carr, Riggs & Ingram, LLC
3011 Armory Drive
Suite 190
Nashville, TN 37204

(615) 665-1811
(615) 665-1829 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Contributor, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of The Contributor, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, 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.

Auditors' 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 The Contributor, Inc. 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.

Carr, Riggs & Ingram

Nashville, Tennessee
November 5, 2013

THE CONTRIBUTOR, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS		
Cash	$	78,691
Contributions receivable		17,973
Other current assets		224
Property and equipment		6,931
TOTAL ASSETS	$	103,819
LIABILITIES		
Accounts payable and accrued expenses	$	24,449
TOTAL LIABILITIES		24,449
NET ASSETS		
Unrestricted		79,370
TOTAL NET ASSETS		79,370
TOTAL LIABILITIES AND NET ASSETS	$	103,819

See accompanying notes to financial statements.

THE CONTRIBUTOR, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

SUPPORT AND REVENUE	
Newspaper revenues	$ 343,565
Contributions	164,531
Grants	29,535
Special events	2,477
Donated services and facilities	159,119
Miscellaneous income	2,127
TOTAL SUPPORT AND REVENUE	701,354
EXPENSES	
Program	431,495
Supporting services	
Management and general	219,409
Fundraising	84,817
TOTAL EXPENSES	735,721
CHANGE IN NET ASSETS	(34,367)
NET ASSETS - BEGINNING OF YEAR	113,737
NET ASSETS - END OF YEAR	$ 79,370

See accompanying notes to financial statements.

THE CONTRIBUTOR, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program	Supporting Services		
	Newspaper Publishing	Management and General	Fundraising	Total
Advertising and promotions	$ -	$ -	$ 5,464	$ 5,464
Automobile expenses	1,238	163	-	1,401
Commissions	9,001	-	-	9,001
Contract labor	-	7,969	345	8,314
Contributions	-	21,970	-	21,970
Depreciation	-	2,501	-	2,501
Dues and subscriptions	-	2,249	-	2,249
Employee benefits	12,343	5,339	485	18,167
Freelance costs	17,330	-	-	17,330
Insurance	-	4,322	-	4,322
IT and communications	-	2,155	-	2,155
Legal expenses	-	67,885	-	67,885
Marketing	68,156	-	-	68,156
Miscellaneous expenses	807	-	-	807
Office expenses	315	15,241	2,361	17,917
Payroll taxes	15,826	3,165	2,110	21,101
Printing costs	141,068	-	11,745	152,813
Rent	-	23,078	-	23,078
Salaries and wages	142,274	57,945	49,399	249,618
Special events	-	-	10,607	10,607
Supplies	15,375	-	-	15,375
Technology	5,544	-	-	5,544
Travel	2,218	5,427	2,301	9,946
	$ 431,495	$ 219,409	$ 84,817	$ 735,721

See accompanying notes to financial statements.

THE CONTRIBUTOR, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(34,367)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation		2,501
Net book value of equipment given to employees as compensation		11,462
Changes in assets and liabilities:		
Contributions receivable		(17,973)
Other current assets		10,291
Accounts payable and accrued expenses		11,395
NET CASH USED BY OPERATING ACTIVITIES		(16,691)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(14,329)
NET CASH USED BY INVESTING ACTIVITIES		(14,329)
NET DECREASE IN CASH		(31,020)
CASH - BEGINNING OF YEAR		109,711
CASH - END OF YEAR	$	78,691

See accompanying notes to financial statements.

THE CONTRIBUTOR, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The Contributor, Inc. (the Organization) is a Tennessee nonprofit corporation located in Nashville, Tennessee. The Organization publishes a twice-monthly newspaper in Nashville, Tennessee and surrounding areas that accomplishes the following: provides a diversity of perspectives and information on the condition of homelessness while highlighting the contributions of homeless and formerly homeless individuals, provides homeless and formerly homeless newspaper vendors with a source of income, and creates community between vendors and customers. Newspapers are sold exclusively by homeless and formerly homeless individuals. The Organization is supported primarily by newspaper sales and contributions.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, however currently, the Organization does not have any temporarily or permanently restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Contributions receivable are recorded at the time a promise is made. Contributions receivable at December 31, 2012 are due within one year.

Property and Equipment - The Organization capitalizes all expenditures in excess of $500 for property and equipment. Property and equipment is carried at cost if purchased or fair value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Income Taxes - The Organization qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) (vi) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

Accounting principles generally accepted in the United States of America require management to evaluate the tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2012, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2010.

Estimates - The preparation of financial statements in conformity with accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses – Directly identifiable expenses are charged to program and supporting services. Expenses related to more than function are based on allocations by management among the programs and supporting services benefited.

Advertising - The Organization expenses advertising costs as incurred.

Donated Services and Facilities – Donated services and facilities are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received is such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

For the year ended December 31, 2012, the Organization benefited from legal services paid on behalf of the Organization valued at $67,885 by the legal firm providing the services (see note 6), donated use of a facility valued at $23,078 by the church providing the space (see note 5), and donated marketing services valued at $68,156 by the firm providing the services. These amounts have been reported as donated services and facilities support on the statement of activities and as legal expenses, marketing, and rent, respectively, on the statement of functional expenses.

The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fundraising campaigns but which do not meet the criteria for financial statement recognition. The fair value of these services is not reflected in the accompanying financial statements, in as much as there is no objective basis on which to measure the value of such services.

Evaluation of Events Occurring After the Financial Statement Date - Management has evaluated subsequent events through November 5, 2013, the date the financial statements were available to be issued.

3. PROPERY AND EQUIPMENT

Property and equipment consists of the following:

Equipment	$	12,108
Accumulated depreciation		(5,177)
	$	6,931

4. CONCENTRATIONS

Substantially all newspaper printing costs were purchased from one supplier during 2012.

One donor comprised approximately 17% of all donations made to the Organization during the year ended December 31, 2012.

5. LEASES

The Organization used a donated facility located in Nashville, Tennessee under a month-to-month agreement for the year ended December 31, 2012.

The Organization entered into two operating leases effective January 1, 2013. One was for additional office space separate from the donated facility. This lease expires in December 2013, and is cancellable under certain circumstances. The other lease, for the space that was previously donated, is for $555 for 2013. Future minimum lease rentals for 2013 are $12,555.

6. LITIGATION

The Organization was a plaintiff in a federal lawsuit filed in 2011 against the City of Brentwood, Tennessee, regarding the Organization's ability to sell its newspapers in Brentwood, Tennessee. The lawsuit was dismissed in November 2011 with an appeal filed by the Organization soon thereafter. The appeal resulted in a judgment in favor of the city of Brentwood, Tennessee on August 14, 2013. Legal expenses involving the lawsuit paid on behalf of the Organization totaled $67,885 during 2012. If the Organization elects to file an appeal with the United States Supreme Court, then the appeal must be filed by December 25, 2013.

7. GOING CONCERN

The Organization experienced a decrease in net assets during 2012. During 2013, the Organization experienced cash flow difficulties when expenses exceeded revenues and support. Those factors create an uncertainty about the Organization's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue.

In August 2013, the Board of Directors approved a plan to reduce staff and other expenses and to raise additional contributions, in order to reduce the operating deficits and establish adequate reserves. These pursuits have already begun to impact the Organization's financial condition, and management now projects that cash needs will be met throughout 2013.