

# 2015

## Financial Statements

**BEACON CENTER OF TENNESSEE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

(With Independent Auditor's Report Thereon)

**BEACON CENTER OF TENNESSEE**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014**

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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, 2015, 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, 2015, 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 the Beacon Center of Tennessee's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Patterson Hardee & Ballentine*

April 21, 2016

BEACON CENTER OF TENNESSEE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015  
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash	\$ 519,700	\$ 405,828
Accounts receivable	750	6,000
Prepaid insurance	4,554	1,042
Total current assets	<u>525,004</u>	<u>412,870</u>
Property and equipment, net	<u>11,387</u>	<u>11,148</u>
Other asset - deposit	<u>4,907</u>	<u>4,907</u>
Asset Whose Use is Limited:		
Cash	<u>583,029</u>	<u>230,901</u>
	<u>\$ 1,124,327</u>	<u>\$ 659,826</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 30,693	\$ 22,359
Accrued payroll	5,096	8,210
Total current liabilities	<u>35,789</u>	<u>30,569</u>
Net Assets:		
Unrestricted	505,509	398,356
Temporarily restricted	583,029	230,901
Total net assets	<u>1,088,538</u>	<u>629,257</u>
	<u>\$ 1,124,327</u>	<u>\$ 659,826</u>

See accompanying notes to financial statements.

**BEACON CENTER OF TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Public Support and Revenue:					
Public support:					
Corporate contributions	\$ 48,010	\$ -	\$ -	\$ 48,010	\$ 16,000
Individual contributions	500,877	-	-	500,877	428,871
Foundation contributions	65,600	837,530	-	903,130	538,000
In-kind revenue	1,545	-	-	1,545	3,927
Net assets released from restriction	485,402	(485,402)	-	-	-
Total public support	<u>1,101,434</u>	<u>352,128</u>	<u>-</u>	<u>1,453,562</u>	<u>986,798</u>
Revenue:					
Other income, net	-	-	-	-	11,668
Interest income	<u>1,076</u>	<u>-</u>	<u>-</u>	<u>1,076</u>	<u>1,402</u>
Total revenue	<u>1,076</u>	<u>-</u>	<u>-</u>	<u>1,076</u>	<u>13,070</u>
Total public support and revenue	<u>1,102,510</u>	<u>352,128</u>	<u>-</u>	<u>1,454,638</u>	<u>999,868</u>
Expenses:					
Program services	780,393	-	-	780,393	622,417
Management and general	<u>65,441</u>	<u>-</u>	<u>-</u>	<u>65,441</u>	<u>60,012</u>
Fundraising:					
Direct mailing fundraising (Note 8)	70,170	-	-	70,170	60,531
Other fundraising	<u>79,353</u>	<u>-</u>	<u>-</u>	<u>79,353</u>	<u>74,504</u>
Total fundraising	<u>149,523</u>	<u>-</u>	<u>-</u>	<u>149,523</u>	<u>135,035</u>
Total expenses	<u>995,357</u>	<u>-</u>	<u>-</u>	<u>995,357</u>	<u>817,464</u>
Increase in net assets	107,153	352,128	-	459,281	182,404
Net assets - beginning of year	<u>398,356</u>	<u>230,901</u>	<u>-</u>	<u>629,257</u>	<u>446,853</u>
Net assets - end of year	<u>\$ 505,509</u>	<u>\$ 583,029</u>	<u>\$ -</u>	<u>\$ 1,088,538</u>	<u>\$ 629,257</u>

See accompanying notes to financial statements.

**BEACON CENTER OF TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Increase in net assets	\$ 459,281	\$ 182,404
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	7,380	3,574
Changes in:		
Accounts receivable	5,250	(6,000)
Prepaid insurance	(3,512)	203
Other asset	-	(4,157)
Asset whose use is limited	(352,128)	(18,859)
Accounts payable	8,334	16,691
Accrued payroll	(3,114)	2,061
Total adjustments	(337,790)	(6,487)
Net cash provided by operating activities	121,491	175,917
Cash Flows From Investing Activities:		
Purchase of property and equipment	(7,619)	(6,203)
Net cash used in investing activities	(7,619)	(6,203)
Net increase in cash	113,872	169,714
Cash - beginning of year	405,828	236,114
Cash - end of year	<u>\$ 519,700</u>	<u>\$ 405,828</u>

See accompanying notes to financial statements.

**BEACON CENTER OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014**

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, 2015 and 2014.

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, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014**

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 2014 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, 2014, from which it was derived.

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 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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014, no assets were considered to be impaired.

**BEACON CENTER OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2015 and 2014, was \$1,545 and \$3,927, 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 2012.

Concentrations of Credit Risk

At December 31, 2015, we owed 100% of our payables to four vendors. At December 31, 2014, we owed 100% of our payables to two vendors.

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.

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.

**BEACON CENTER OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 - Property and Equipment**

A summary of property and equipment at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Computers	\$ 21,003	\$ 27,815
Furniture and fixtures	38,195	23,764
Leasehold improvements	<u>3,511</u>	<u>3,511</u>
	62,709	55,090
Less: accumulated depreciation	<u>(51,322)</u>	<u>(43,942)</u>
	<u>\$ 11,387</u>	<u>\$ 11,148</u>

**NOTE 3 - Accounts Payable**

A summary of accounts payable at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Accounts payable	\$ 27,960	\$ 21,629
Employee benefits payable	<u>2,733</u>	<u>730</u>
	<u>\$ 30,693</u>	<u>\$ 22,359</u>

**NOTE 4 - Temporarily Restricted Net Assets**

The following is a summary of temporarily restricted net assets at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
School choice grants	\$ 83,900	\$ 165,901
Training and educational	8,175	-
Consulting and mentoring	15,250	-
Fellowship program	-	25,000
Website development grant	-	25,000
Tennessee Medicaid education grant	-	15,000
Kicking cronyism to the curb	159,484	-
Tax reform	<u>316,220</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 583,029</u>	<u>\$ 230,901</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, 2015 and 2014, was \$60,793 and \$58,884, respectively.

The following is a schedule of future minimum lease payments:

**Year Ending December 31,**

2016	<u>\$ 62,473</u>
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**BEACON CENTER OF TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
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**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, 2015 and 2014, was \$11,419 and \$6,830, respectively.

**NOTE 7 - Other Income, net**

Other income and expenses, net, at December 31, 2015 and 2014, consists of the following:

	<u>2015</u>	<u>2014</u>
Compensation - landlord breaking lease agreement	\$ -	\$ 15,000
Moving expenses	<u>-</u>	<u>(3,332)</u>
	<u>\$ -</u>	<u>\$ 11,668</u>

**NOTE 8 – Direct Mailing Grant**

In 2015 and 2014, 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, 2015. As of April 21, 2016, 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, 2015.