

2011

Financial Statements

BEACON CENTER OF TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2011

(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 Managers
Beacon Center of Tennessee

We have audited the accompanying statement of financial position of Beacon Center of Tennessee (a nonprofit organization) as of December 31, 2011, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

July 4, 2012

BEACON CENTER OF TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

Current Assets:		
Cash	\$ 201,558	
Prepaid insurance	<u>765</u>	
Total current assets		\$ 202,323
Property and equipment, net		8,681
Other asset - deposit		750
Asset Whose Use is Limited:		
Cash		<u>79,072</u>
		<u>\$ 290,826</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 10,310	
Employee benefits payable	<u>1,305</u>	
Total current liabilities		\$ <u>11,615</u>
Net Assets:		
Unrestricted	200,139	
Total unrestricted net assets		200,139
Temporarily restricted	<u>79,072</u>	
Total restricted net assets		<u>79,072</u>
Total net assets		<u>279,211</u>
		<u>\$ 290,826</u>

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Public support:				
Corporate contributions	\$ 40,700	\$ -	\$ -	\$ 40,700
Individual contributions	219,012	86,000	-	305,012
Foundation contributions	53,880	126,450	-	180,330
Released from restriction	268,118	(268,118)	-	-
Total public support	<u>581,710</u>	<u>(55,668)</u>	<u>-</u>	<u>526,042</u>
Interest income	<u>1,177</u>	<u>-</u>	<u>-</u>	<u>1,177</u>
Total revenue	<u>582,887</u>	<u>(55,668)</u>	<u>-</u>	<u>527,219</u>
Expenses:				
Program services	373,635	-	-	373,635
Management and general	52,773	-	-	52,773
Fundraising	110,427	-	-	110,427
Total expenses	<u>536,835</u>	<u>-</u>	<u>-</u>	<u>536,835</u>
Increase (decrease) in net assets	<u>46,052</u>	<u>(55,668)</u>	<u>-</u>	<u>(9,616)</u>
Net assets - beginning of year	<u>54,246</u>	<u>234,581</u>	<u>-</u>	<u>288,827</u>
Reclassifications	<u>99,841</u>	<u>(99,841)</u>	<u>-</u>	<u>-</u>
Net assets - end of year	<u>\$ 200,139</u>	<u>\$ 79,072</u>	<u>\$ -</u>	<u>\$ 279,211</u>

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

Cash Flows From Operating Activities:

Decrease in net assets	\$	(9,616)
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Adjustments to reconcile decrease in net assets
to net cash used in operating activities:

Depreciation		5,450
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Changes in:

Prepaid insurance	(53)	
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Asset whose use is limited	155,509	
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Accounts payable	9,019	
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Total adjustments		164,475
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Net cash provided by operating activities		160,309
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Cash Flows From Investing Activities:

Purchase of property and equipment	(5,474)	
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Net cash used in investing activities		(5,474)
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Net increase in cash		154,835
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Cash - beginning of year		46,723
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Cash - end of year	\$	201,558
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BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 3 for 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, 2011, we had no cash equivalents.

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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, 2011. We are no longer subject to examination by U.S. federal and state taxing authorities for years before 2008. 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, 2011, 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

Cost for marketing efforts typically consists of educational material for the public and is expensed as incurred.

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 double declining balance 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, 2011, is as follows:

Computers	\$ 22,500
Furniture and fixtures	<u>16,151</u>
	38,651
Less: accumulated depreciation	<u>(29,970)</u>
	<u>\$ 8,681</u>

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, 2011, we owed 75% of our total payables to two vendors.

NOTE 4 - Temporarily Restricted Net Assets

We have accepted two restricted grants and have received restricted donations during 2011 and in previous years. The grants are restricted for direct mail campaigns and for investigative journalism projects. The restricted donations are restricted for tort reform. 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.

After the tort reform project was completed, the restricted funds were released to the operating fund. All donors were notified that the objectives of the program were met and remaining funds were released.

A summary of temporarily restricted net assets at December 31, 2011, is as follows:

Investigative reporter grant	\$ 62,037
Direct mailing grant	<u>17,035</u>
Total temporarily restricted net assets	<u>\$ 79,072</u>

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011 was \$24,375. Future minimum lease payments are as follows:

2012	\$ 29,632
2013	36,900
2014	49,250
2015	52,400
2016	54,000
Thereafter	<u>13,600</u>
Total	<u>\$ 235,782</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 in 2011 was \$1,305.

NOTE 7 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2011. As of July 4, 2012, 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, 2011.

