2017

Financial Statements

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BEACON CENTER OF TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2017

(With Independent Auditor's Report Thereon)

BEACON CENTER OF TENNESSEE
FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

April 13, 2018

BEACON CENTER OF TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016

ASSETS

	2017	2016
Current Assets:		
Cash	$ 273,299	$ 404,521
Accounts receivable	9,547	-
Prepaid insurance	4,709	4,709
Total current assets	287,555	409,230
Property and equipment, net	14,523	10,392
Other asset - deposit	4,907	4,907
Asset Whose Use is Limited:		
Cash	77,616	142,002
Total asset whose use is limited	77,616	142,002
	$ 384,601	$ 566,531

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities:		
Accounts payable	$ 14,346	$ 21,207
Accrued payroll	14,156	10,829
Total current liabilities	28,502	32,036
Net Assets:		
Unrestricted	278,483	392,493
Temporarily restricted	77,616	142,002
Total net assets	356,099	534,495
	$ 384,601	$ 566,531

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Public Support and Revenue:					
Public support:					
Corporate contributions	$ 60,478	$ -	$ -	$ 60,478	$ 73,868
Individual contributions	488,313	-	-	488,313	587,116
Foundation contributions	141,100	377,400	-	518,500	359,690
Net assets released from restriction	441,786	(441,786)	-	-	-
Total public support	1,131,677	(64,386)	-	1,067,291	1,020,674
Revenue:					
Loss on disposal of property and equipment	-	-	-	-	(3,097)
Interest income	1,803	-	-	1,803	1,245
Total revenue	1,803	-	-	1,803	(1,852)
Total public support and revenue	1,133,480	(64,386)	-	1,069,094	1,018,822
Expenses:					
Program services	965,615	-	-	965,615	1,304,211
Management and general	90,270	-	-	90,270	98,876
Fundraising:					
Direct mailing fundraising (Note 8)	84,200	-	-	84,200	73,280
Other fundraising	107,405	-	-	107,405	96,498
Total fundraising	191,605	-	-	191,605	169,778
Total expenses	1,247,490	-	-	1,247,490	1,572,865
Decrease in net assets	(114,010)	(64,386)	-	(178,396)	(554,043)
Net assets - beginning of year	392,493	142,002	-	534,495	1,088,538
Net assets - end of year	$ 278,483	$ 77,616	$ -	$ 356,099	$ 534,495

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017	2016
Cash Flows From Operating Activities:		
Decrease in net assets	$ (178,396)	$ (554,043)
Adjustments to reconcile decrease in net assets to net cash used in by operating activities:		
Loss on disposal of property and equipment	-	3,097
Depreciation	5,506	5,713
Changes in:		
Accounts receivable	(9,547)	750
Prepaid insurance	-	(155)
Asset whose use is limited	64,386	441,027
Accounts payable	(6,861)	(9,486)
Accrued payroll	3,327	5,733
Total adjustments	56,811	446,679
Net cash used in operating activities	(121,585)	(107,364)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(9,637)	(7,815)
Net cash used in investing activities	(9,637)	(7,815)
Net decrease in cash	(131,222)	(115,179)
Cash - beginning of year	404,521	519,700
Cash - end of year	$ 273,299	$ 404,521

See accompanying notes to financial statements.

BEACON CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016

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, 2017 and 2016.

Reclassifications

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

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 2016 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, 2016, 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, no assets were considered to be impaired.

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. There was no in-kind revenue or expense as of December 31, 2017 and 2016.

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.

Concentrations of Credit Risk

At December 31, 2017, we owed 85% of our payables to three vendors. At December 31, 2016, we owed 81% of our payables to four vendors.

At December 31, 2017, we were due 100% of our receivables from one donor, who was a related party, see Note 7.

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. All our assets and liabilities are considered level 1 in the fair value hierarchy.

NOTE 2 - Property and Equipment

A summary of property and equipment at December 31, 2017 and 2016, is as follows:

	2017	2016
Computers	$ 18,702	$ 17,503
Furniture and fixtures	24,645	16,207
	43,347	33,710
Less: accumulated depreciation	(28,824)	(23,318)
	$ 14,523	$ 10,392

NOTE 3 - Accounts Payable

A summary of accounts payable at December 31, 2017 and 2016, is as follows:

	2017	2016
Accounts payable	$ 4,515	$ 18,718
Credit card payable	3,465	-
Employee benefits payable	6,366	2,489
	$ 14,346	$ 21,207

NOTE 4 - Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets at December 31, 2017 and 2016:

	2017	2016
School choice grants	$ 20,951	$ 29,938
Dirty dozen / licensing	10,000	-
Communicating liberty	5,473	-
Criminal justice	26,647	17,527
Occupational licensing	-	7,124
Kicking cronyism to the curb	3,045	87,413
Hiring well, doing good	5,000	-
Case consulting and mentoring	6,500	-
Total temporarily restricted net assets	$ 77,616	$ 142,002

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, 2017 and 2016, was $97,248 and $76,056, respectively.

NOTE 5 - Minimum Lease Obligation (continued)

The following is a schedule of future minimum lease payments:

Year Ending December 31,	
2018	$ 97,136
2019	98,676
2020	100,620
2021	102,612
Total	$ 399,044

NOTE 6 - Employee Benefit Plan

We have a voluntary 403(b) 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, 2017 and 2016, was $17,477 and $18,157, respectively.

NOTE 7 - Related Party

During 2017, a 501(c)(4), Beacon Impact, was created. The purpose of Beacon Impact is to advocate for the promotion of free markets, individual liberty, and limited government, and to advocate on matters that empower Tennesseans to reclaim control of their lives, so that they can freely pursue their version of the American Dream. Beacon Impact serves as the action partner of the Beacon Center of Tennessee. At December 31, 2017, Beacon Impact and Beacon Center of Tennessee were under common control, as all Board Members of Beacon Impact were also our Board Members. One of our previous donors separated his annual donation between us and Beacon Impact at Beacon Impact's commencement. This shift in donations appears to reduce the annual revenue of the Beacon Center of Tennessee for 2017, but it was in reality a shift in revenue to our affiliated entity. At December 31, 2017, we were owed $9,547 from Beacon Impact.

NOTE 8 - Direct Mailing Grant

In 2017 and 2016, 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 - New Pronouncements

In May 2014, FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606). The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, Leases (Topic 842). The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 9 - New Pronouncements (continued)

In August 2016, FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 10 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2017. As of April 13, 2017, 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, 2017.