

The Beacon of Downtown Houston
(an Outreach Ministry of Christ Church Cathedral)

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

The Beacon of Downtown Houston
(an Outreach Ministry of Christ Church Cathedral)

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Independent Auditors' Report

To the Board of Directors of
The Beacon of Downtown Houston:

Report on the Financial Statements

We have audited the accompanying financial statements of The Beacon of Downtown Houston (The Beacon), an outreach ministry of Christ Church Cathedral, which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, of functional expenses, and of cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits 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 auditors' 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 Beacon as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021 on our consideration of The Beacon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Beacon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Beacon's internal control over financial reporting and compliance.

Blazek & Vetterling

May 27, 2021

The Beacon of Downtown Houston
(an Outreach Ministry of Christ Church Cathedral)

Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 1,566,211	\$ 1,118,200
Contributions and grants receivable	300,780	257,509
Prepaid expenses and other assets	67,906	8,972
Property, net (<i>Note 5</i>)	<u>664,747</u>	<u>705,186</u>
TOTAL ASSETS	<u>\$ 2,599,644</u>	<u>\$ 2,089,867</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable (<i>Note 3</i>)	\$ 58,802	\$ 46,323
Refundable advance – Payroll Protection Program (<i>Note 2</i>)	187,900	
Refundable contributions and grants	<u>215,356</u>	<u>45,662</u>
Total liabilities	<u>462,058</u>	<u>91,985</u>
Commitments and contingencies (<i>Note 4</i>)		
Net assets:		
Without donor restrictions (<i>Note 2</i>)	1,846,014	1,614,733
With donor restrictions (<i>Note 6</i>)	<u>291,572</u>	<u>383,149</u>
Total net assets	<u>2,137,586</u>	<u>1,997,882</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,599,644</u>	<u>\$ 2,089,867</u>

See accompanying notes to financial statements.

The Beacon of Downtown Houston
(an Outreach Ministry of Christ Church Cathedral)

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions and grants	\$ 1,649,763	\$ 1,869,119	\$ 3,518,882
Support from related parties <i>(Note 3)</i>	687,691		687,691
Special event revenue	214,217	32,545	246,762
Cost of donor benefits provided at special event	(7,565)		(7,565)
Other revenue	<u>37,384</u>		<u>37,384</u>
Total revenue	2,581,490	1,901,664	4,483,154
Net assets released from restrictions:			
Expended for program purposes	1,893,241	(1,893,241)	
Release of time restriction	<u>100,000</u>	<u>(100,000)</u>	
Total	<u>4,574,731</u>	<u>(91,577)</u>	<u>4,483,154</u>
EXPENSES:			
Program expenses:			
Day Center	1,820,815		1,820,815
Beacon Law	838,309		838,309
Coordinated Access	521,257		521,257
Brigid's Hope	279,099		279,099
Compass	<u>153,385</u>		<u>153,385</u>
Total program expenses	3,612,865		3,612,865
Management and general	459,498		459,498
Fundraising	<u>271,087</u>		<u>271,087</u>
Total expenses	<u>4,343,450</u>		<u>4,343,450</u>
CHANGES IN NET ASSETS	231,281	(91,577)	139,704
Net assets, beginning of year	<u>1,614,733</u>	<u>383,149</u>	<u>1,997,882</u>
Net assets, end of year	<u>\$ 1,846,014</u>	<u>\$ 291,572</u>	<u>\$ 2,137,586</u>

See accompanying notes to financial statements.

The Beacon of Downtown Houston
(an Outreach Ministry of Christ Church Cathedral)

Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions and grants	\$ 1,134,107	\$ 1,795,223	\$ 2,929,330
Support from related parties <i>(Note 3)</i>	732,156		732,156
Special event revenue	526,331	175,400	701,731
Cost of donor benefits provided at special event	(52,900)		(52,900)
Other revenue	<u>48,489</u>		<u>48,489</u>
Total revenue	2,388,183	1,970,623	4,358,806
Net assets released from restrictions:			
Expended for program purposes	1,769,952	(1,769,952)	
Release of time restriction	<u>100,000</u>	<u>(100,000)</u>	
Total	<u>4,258,135</u>	<u>100,671</u>	<u>4,358,806</u>
EXPENSES:			
Program expenses:			
Day Center	1,510,095		1,510,095
Beacon Law	972,625		972,625
Coordinated Access	293,792		293,792
Brigid's Hope	251,813		251,813
Compass	<u>194,985</u>		<u>194,985</u>
Total program expenses	3,223,310		3,223,310
Management and general	401,095		401,095
Fundraising	<u>291,709</u>		<u>291,709</u>
Total expenses	<u>3,916,114</u>		<u>3,916,114</u>
CHANGES IN NET ASSETS	342,021	100,671	442,692
Net assets, beginning of year	<u>1,272,712</u>	<u>282,478</u>	<u>1,555,190</u>
Net assets, end of year	<u>\$ 1,614,733</u>	<u>\$ 383,149</u>	<u>\$ 1,997,882</u>

See accompanying notes to financial statements.

The Beacon of Downtown Houston
(an Outreach Ministry of Christ Church Cathedral)

Statement of Functional Expenses for the year ended December 31, 2020

<u>EXPENSES</u>	<u>DAY CENTER</u>	<u>BEACON LAW</u>	<u>COORDINATED ACCESS</u>	<u>BRIGID'S HOPE</u>	<u>COMPASS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 407,522	\$ 692,291	\$ 468,509	\$ 121,817	\$ 105,887	\$ 290,446	\$ 219,124	\$ 2,305,596
Occupancy	609,583	47,010	24,288	6,300	32,848	63,224	23,728	806,981
Client assistance:								
Client laundry, personal hygiene, clothing and food supplies	402,594			137				402,731
Client housing rent				102,187				102,187
Other client assistance	85	3,241	8,439	15,891	3,916			31,572
Security services	238,007	52,806						290,813
Professional services		10,945		31,532		78,095	7,124	127,696
Repairs and maintenance	58,706	3,058	5,266			586		67,616
Insurance	34,422		987		1,389	9,157	1,214	47,169
Depreciation	34,365		986		1,387	2,490	1,211	40,439
Other supplies	4,626	11,297	7,747	577	5,021	6,463	470	36,201
Telephone and technology	30,073		834		1,173	2,105	1,024	35,209
Dues and fees	694	5,959				4,161	7,926	18,740
Printing, postage and copying		1,393		11	821	1,535	8,980	12,740
Training and conferences		8,231		575		415	200	9,421
Travel and meetings	<u>138</u>	<u>2,078</u>	<u>4,201</u>	<u>72</u>	<u>943</u>	<u>821</u>	<u>86</u>	<u>8,339</u>
Total expenses	<u>\$ 1,820,815</u>	<u>\$ 838,309</u>	<u>\$ 521,257</u>	<u>\$ 279,099</u>	<u>\$ 153,385</u>	<u>\$ 459,498</u>	<u>\$ 271,087</u>	4,343,450
Cost of donor benefits provided at special event								<u>7,565</u>
Total								<u>\$ 4,351,015</u>

See accompanying notes to financial statements.

The Beacon of Downtown Houston
(an Outreach Ministry of Christ Church Cathedral)

Statement of Functional Expenses for the year ended December 31, 2019

<u>EXPENSES</u>	<u>DAY CENTER</u>	<u>BEACON LAW</u>	<u>COORDINATED ACCESS</u>	<u>BRIGID'S HOPE</u>	<u>COMPASS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 311,847	\$ 813,296	\$ 255,808	\$ 112,771	\$ 140,437	\$ 222,193	\$ 234,916	\$ 2,091,268
Occupancy	634,365	66,331	25,432	8,225	21,250	59,153	22,769	837,525
Client assistance:								
Client laundry, personal hygiene, clothing and food supplies	198,776			378		354		199,508
Client housing rent				91,355				91,355
Other client assistance	407	8,295	2,424	19,955	17,367			48,448
Security services	206,000	17,500						223,500
Professional services	8,400	14,033		16,300	964	81,810	6,862	128,369
Repairs and maintenance	67,428		715		800	579		69,522
Insurance	26,915		772		1,086	8,225	949	37,947
Depreciation	35,164		1,009		1,419	2,548	1,239	41,379
Other supplies	175	25,257	1,905	1,039	3,098	12,221	1,178	44,873
Telephone and technology	19,981		573		806	1,448	704	23,512
Dues and fees	505	5,016		612		8,931	4,728	19,792
Printing, postage and copying		3,294				1,186	11,525	16,005
Training and conferences		9,485		550		1,465	410	11,910
Travel and meetings	132	10,118	5,154	628	7,758	982	495	25,267
Other							5,934	5,934
Total expenses	<u>\$ 1,510,095</u>	<u>\$ 972,625</u>	<u>\$ 293,792</u>	<u>\$ 251,813</u>	<u>\$ 194,985</u>	<u>\$ 401,095</u>	<u>\$ 291,709</u>	3,916,114
Cost of donor benefits provided at special event								<u>52,900</u>
Total								<u>\$ 3,969,014</u>

See accompanying notes to financial statements.

The Beacon of Downtown Houston
(an Outreach Ministry of Christ Church Cathedral)

Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 139,704	\$ 442,692
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	40,439	41,379
Changes in operating assets and liabilities:		
Contributions and grants receivable	(43,271)	61,968
Prepaid expenses and other assets	(58,934)	15,869
Accounts payable	12,479	(13,545)
Refundable advance – Payroll Protection Program	187,900	
Refundable contributions and grants	<u>169,694</u>	<u>34,326</u>
Net cash provided by operating activities	<u>448,011</u>	<u>582,689</u>
NET CHANGE IN CASH	448,011	582,689
Cash, beginning of year	<u>1,118,200</u>	<u>535,511</u>
Cash, end of year	<u>\$ 1,566,211</u>	<u>\$ 1,118,200</u>

See accompanying notes to financial statements.

The Beacon of Downtown Houston (an Outreach Ministry of Christ Church Cathedral)

Notes to Financial Statements for the years ended December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Beacon of Downtown Houston (The Beacon) was established by Christ Church Cathedral (the Cathedral) to provide outreach services to the community. The Beacon’s mission is to provide essential and next-step services to restore hope and help end homelessness in Houston. The Beacon’s Board of Directors is appointed by the Vestry of the Cathedral. The Beacon operated as Cathedral Health and Outreach Ministries until April 2017 when the name was formally changed.

The Beacon serves the Houston homeless community through daily services, civil legal aid, counseling and mentoring, and access to housing in the following programs:

- Day Center offers hot meals, private shower and lavatory facilities, laundry services, case management, and pastoral outreach and care.
- Beacon Law provides pro-bono legal services to low-income individuals.
- Coordinated Access is part of The Way Home Coordinated Access system that provides housing assessments and navigation for homeless men and women.
- Brigid’s Hope provides support and assistance for homeless women in transition from Texas prisons and jails. This intensive year-long program includes single-room occupancy housing, case management, material support, licensed counseling, volunteer mentor support, and supportive service coordination.
- COMPASS became a program of The Beacon in April 2019 and provides mailbox privileges, transportation assistance, ID assistance, access to comprehensive healthcare through partnership with the Harris Health System, walk-up case management and referral, and housing navigation through Coordinated Access referral.

Federal income tax status – The Beacon is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash – At times, bank deposits exceed the federally insured limit per depositor per institution.

Contributions and grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to the present value of their estimated future cash flows. An allowance for contributions and grants receivable is provided when it is believed balances may not be collected in full. The Beacon’s policy is to write off balances against the allowance when management determines the receivable will not be collected. Contributions and grants receivable at December 31, 2020 are expected to be collected within one year.

Property with an original cost or fair value, if contributed, of \$5,000 or more and an estimated useful life of more than one year is capitalized. Depreciation is provided on a straight-line basis over estimated useful lives of 30 years for leasehold improvements and 5 years for furniture, fixtures, and equipment.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may

be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions and grants are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions and grants received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions and grants are subject to one or more barriers that must be overcome before The Beacon is entitled to receive or retain funding and are recognized when the conditions are met. Funding received before conditions are met is reported as refundable contributions and grants.

In-kind contributions are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as materials and facilities are used. Contributions of services are recognized when services received a) create or enhance nonfinancial assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special event – Contributions and ticket sales represent the amounts paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Cost of direct donor benefits represent the costs of goods and services provided in exchange for the amount paid by event attendees.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and volunteer time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation, insurance, information technology, and occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 1,566,211	\$ 1,118,200
Contributions and grants receivable	300,780	257,509
Other assets	<u>49,038</u>	<u> </u>
Total financial assets	1,916,029	1,375,709
Less board-designated operating reserve not expected to be used for general expenditure	<u>(351,093)</u>	<u>(100,953)</u>
Total financial assets available for general expenditure	<u>\$ 1,564,936</u>	<u>\$ 1,274,756</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, The Beacon considers all expenditures related to its ongoing activities to be general expenditures. The Beacon expects to collect all receivables within one year. The Beacon expects to fund future general expenditures in excess of financial assets available from future revenue. The Beacon maintains a board-designated operating reserve to fund operational projects and shortfalls should they occur. While the Beacon does not expect to need this reserve to fund general expenditures, it remains available at the discretion of the Board. There also is a \$1 million line of credit from the Cathedral which is available to The Beacon, if needed.

In April 2020, The Beacon received an unsecured bank loan of \$187,900 funded through the Paycheck Protection Program (PPP). The loan bears interest at 1.0% and may be repaid over 2 years. PPP loan principal and interest may be forgiven, in whole or part, if funds are used for the intended purposes within 8 weeks of funding. The Beacon intends to apply for forgiveness and will recognize any forgiveness granted upon approval by the lender.

NOTE 3 – TRANSACTIONS WITH RELATED PARTIES

The Beacon operates in the John S. Dunn Outreach Center (the Dunn Center), which is owned by the Protestant Episcopal Church Council of the Diocese of Texas (Church Corporation).

The Beacon recognized contributed support from the Cathedral and Church Corporation as follows:

	<u>2020</u>	<u>2019</u>
Facility rental and parking provided at no cost	\$ 587,691	\$ 632,156
Financial support	<u>100,000</u>	<u>100,000</u>
Total support from related parties	<u>\$ 687,691</u>	<u>\$ 732,156</u>

The Cathedral billed The Beacon for the following expenses:

	<u>2020</u>	<u>2019</u>
Facility operating costs	\$ 280,966	\$ 314,158
Accounting services	<u>59,775</u>	<u>59,775</u>
Total expenses billed by the Cathedral	<u>\$ 340,741</u>	<u>\$ 373,933</u>

The Beacon owed the following balances to the Cathedral:

Accounts payable	<u>\$ 28,374</u>	<u>\$ 24,562</u>
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NOTE 4 – COMMITMENTS AND CONTINGENCIES

Grants – The Beacon receives grants from government and other funding sources that require fulfillment of certain conditions as set forth in the grant documents and are subject to review and audit by the awarding entities. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request a return of funds as a result of non-compliance by The Beacon with the terms of the grants. Management believes it has met the required conditions and such disallowances, if any, would not be material to The Beacon’s financial position or changes in net assets.

Property-use commitments – The City of Houston (the City) awarded a grant to The Beacon for approximately \$857,000 for the renovation of its facility and to acquire furniture and fixtures to be located at the facility. Under this agreement, The Beacon agrees to repay the City all or a portion of the respective grant if The Beacon ceases to use the facility as a homeless support center prior to 2022 or if The Beacon sells or transfers the facility without written approval of the City. The Beacon has no plans to cease using the facility for the required purpose or to sell or transfer the property.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 762,868	\$ 762,868
Furniture, fixtures, and equipment	<u>93,060</u>	<u>93,060</u>
Total property, at cost	855,928	855,928
Accumulated depreciation	<u>(191,181)</u>	<u>(150,742)</u>
Property, net	<u>\$ 664,747</u>	<u>\$ 705,186</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Beacon Law	\$ 256,586	\$ 147,395
Compass	34,986	127,358
Coordinated Access		8,396
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	<u> </u>	<u>100,000</u>
Total net assets with donor restrictions	<u>\$ 291,572</u>	<u>\$ 383,149</u>

NOTE 7 – VOLUNTEER SERVICES

Approximately 65% of the hours necessary to operate the Day Center's program services are normally provided by volunteers. Due to the coronavirus COVID-19 pandemic, volunteer hours were significantly decreased because of shelter in place orders and health concerns. The Beacon relied on its volunteers for only about 2 months early in 2020. The remainder of the year, The Beacon hired temporary employees to cover the responsibilities normally performed by volunteers. Approximately 12,000 and 27,000 volunteer hours were donated to the Day Center in 2020 and 2019, respectively. Additionally, approximately 5,000 hours were donated by volunteers to other programs of The Beacon in 2019. No amount has been recognized in the financial statements for these volunteer services because they do not meet the criteria for recognition under generally accepted accounting principles.

NOTE 8 – CONDITIONAL CONTRIBUTIONS AND GRANTS

At December 31, 2020, The Beacon had received conditional contributions and grants of approximately \$930,000 that had not been recognized because they require The Beacon to incur qualifying expenditures in providing certain legal, rehousing, and coordinating services to the homeless community before The Beacon is entitled to receive or retain funding.

NOTE 9 – RETIREMENT PLANS

The Beacon is a participating employer in a pension plan sponsored and administered by The Church Pension Fund (the Fund). The Fund, a corporation chartered in 1914 by the Legislature of the State of New York, was established by the General Convention of the Episcopal Church. The Fund and its affiliates are official agencies of the Episcopal Church and operate under the Canons of the Episcopal Church.

The Episcopal Church Lay Employees' Retirement Plan (the Plan) is a defined benefit plan providing retirement, death and disability benefits to eligible lay employees of participating employers of the Episcopal Church. The Plan is exempt from federal income taxes and, as a church plan, is exempt from the Employee Retirement Income Security Act of 1974 and is not subject to Pension Benefit Guaranty Corporation requirements.

The assets of the Plan are pooled along with other assets of the Fund solely for investment purposes for the benefit of all participants. The Fund may amend, terminate or modify the terms of the Plan, including the employer assessment rate, at any time, without notice and for any reason. Should the Plan terminate, the Fund has the authority to distribute assets in accordance with the terms of the Plan documents.

Lay employees of any domestic diocese, parish, mission or other ecclesiastical organization or body subject to the authority of the Episcopal Church scheduled for 1,000 hours or more of compensated work annually must be provided with a lay pension plan benefit.

Participating employers pay assessments to the Plan on behalf of eligible participants. Assessments for the Plan are equal to 9% of the participants' compensation. Assessments fund benefits are provided by the Plan. Assessments are not held in individual accounts, but are invested in a general fund of pooled contributions for all participants in the Plan.

The Beacon recognizes expenses related to Plan assessments in the period that the related services are provided by the lay employees; such assessments totaled approximately \$144,000 in 2020 and \$135,000 in 2019.

The funding positions of the Plan as of March 31, as reported in the Fund's latest audited financial statements, are summarized below:

	<u>2020</u>	<u>2019</u>
Net assets available for pension benefits after amount designated for assessment deficiencies	\$ 165,524,000	\$ 185,258,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(240,746,000)</u>	<u>(213,387,000)</u>
Deficit	<u>\$ (75,222,000)</u>	<u>\$ (28,129,000)</u>
Funding percentage	69%	87%

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 27, 2021, which is the date that the financial statements were available for issuance. No events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.