

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

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

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

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of December 31, 2022 and 2021	3
Statement of Activities for the year ended December 31, 2022	4
Statement of Activities for the year ended December 31, 2021	5
Statement of Functional Expenses for the year ended December 31, 2022	6
Statement of Functional Expenses for the year ended December 31, 2021	7
Statements of Cash Flows for the years ended December 31, 2022 and 2021	8
Notes to Financial Statements for the years ended December 31, 2022 and 2021	9

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Beacon as of December 31, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Beacon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Beacon's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Beacon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Beacon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2023 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.



July 7, 2023

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

Statements of Financial Position as of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 1,831,549	\$ 2,086,978
Contributions and grants receivable, net <i>(Note 3)</i>	532,731	752,376
Prepaid expenses and other assets	67,207	62,513
Property, net <i>(Note 5)</i>	<u>601,299</u>	<u>631,684</u>
TOTAL ASSETS	<u>\$ 3,032,786</u>	<u>\$ 3,533,551</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable <i>(Note 4)</i>	\$ 130,688	\$ 74,770
Refundable contributions and grants	<u>55,527</u>	<u>134,876</u>
Total liabilities	<u>186,215</u>	<u>209,646</u>
Net assets:		
Without donor restrictions	2,432,322	2,614,659
With donor restrictions <i>(Note 6)</i>	<u>414,249</u>	<u>709,246</u>
Total net assets	<u>2,846,571</u>	<u>3,323,905</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,032,786</u>	<u>\$ 3,533,551</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, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions and grants:			
Cash and other financial assets <i>(Note 7)</i>	\$ 1,433,411	\$ 1,742,009	\$ 3,175,420
Nonfinancial assets <i>(Note 8)</i>	16,120		16,120
Fundraising event revenue:			
Cash and other financial assets	492,638	257,800	750,438
Nonfinancial assets <i>(Note 8)</i>	14,684		14,684
Proceeds from contributed auction items <i>(Note 8)</i>	15,045		15,045
Cost of donor benefits provided at fundraising event	(45,282)		(45,282)
Support from related parties <i>(Note 4)</i> :			
Cash and other financial assets	25,065		25,065
Nonfinancial assets <i>(Note 8)</i>	513,243		513,243
Other revenue	<u>15,886</u>		<u>15,886</u>
Total revenue	2,480,810	1,999,809	4,480,619
Net assets released from restrictions:			
Expended for program purposes	2,194,806	(2,194,806)	
Release of time restriction	<u>100,000</u>	<u>(100,000)</u>	
Total	<u>4,775,616</u>	<u>(294,997)</u>	<u>4,480,619</u>
EXPENSES:			
Program expenses:			
Day Center	1,545,691		1,545,691
Coordinated Access	1,027,451		1,027,451
Beacon Law	904,860		904,860
Brigid's Hope	396,905		396,905
COMPASS	<u>145,218</u>		<u>145,218</u>
Total program expenses	4,020,125		4,020,125
Management and general	552,493		552,493
Fundraising	<u>385,335</u>		<u>385,335</u>
Total expenses	<u>4,957,953</u>		<u>4,957,953</u>
CHANGES IN NET ASSETS	(182,337)	(294,997)	(477,334)
Net assets, beginning of year	<u>2,614,659</u>	<u>709,246</u>	<u>3,323,905</u>
Net assets, end of year	<u>\$ 2,432,322</u>	<u>\$ 414,249</u>	<u>\$ 2,846,571</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, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions and grants:			
Cash and other financial assets <i>(Note 7)</i>	\$ 1,714,398	\$ 2,658,776	\$ 4,373,174
Nonfinancial assets <i>(Note 8)</i>	12,974		12,974
Fundraising event revenue:			
Cash and other financial assets	420,309	199,655	619,964
Nonfinancial assets <i>(Note 8)</i>	8,854		8,854
Proceeds from contributed auction items <i>(Note 8)</i>	13,650		13,650
Cost of donor benefits provided at fundraising event	(52,057)		(52,057)
Support from related parties <i>(Note 4)</i> :			
Cash and other financial assets	50,000		50,000
Nonfinancial assets <i>(Note 8)</i>	572,799		572,799
Other revenue	<u>19,283</u>		<u>19,283</u>
Total revenue	2,760,210	2,858,431	5,618,641
Net assets released from restrictions:			
Expended for program purposes	2,340,757	(2,340,757)	
Release of time restriction	<u>100,000</u>	<u>(100,000)</u>	
Total	<u>5,200,967</u>	<u>417,674</u>	<u>5,618,641</u>
EXPENSES:			
Program expenses:			
Day Center	1,504,443		1,504,443
Coordinated Access	862,708		862,708
Beacon Law	821,686		821,686
Brigid's Hope	316,887		316,887
COMPASS	<u>129,313</u>		<u>129,313</u>
Total program expenses	3,635,037		3,635,037
Management and general	494,078		494,078
Fundraising	<u>303,207</u>		<u>303,207</u>
Total expenses	<u>4,432,322</u>		<u>4,432,322</u>
CHANGES IN NET ASSETS	768,645	417,674	1,186,319
Net assets, beginning of year	<u>1,846,014</u>	<u>291,572</u>	<u>2,137,586</u>
Net assets, end of year	<u>\$ 2,614,659</u>	<u>\$ 709,246</u>	<u>\$ 3,323,905</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, 2022

<u>EXPENSES</u>	<u>DAY CENTER</u>	<u>COORDINATED ACCESS</u>	<u>BEACON LAW</u>	<u>BRIGID'S HOPE</u>	<u>COMPASS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 416,302	\$ 926,865	\$ 720,345	\$ 197,343	\$ 101,899	\$ 327,153	\$ 298,398	\$ 2,988,305
Occupancy	548,891	36,124	10,150	5,075	24,880	45,463	22,305	692,888
Professional services			140,055	36,750		140,915	18,046	335,766
Client assistance:								
Client laundry, personal hygiene, clothing and food supplies	137,341			350	57			137,748
Client housing rent				118,028				118,028
Other client assistance	855	1,460	6,271	35,804	5,536			49,926
Security services	270,450							270,450
Repairs and maintenance	61,514	2,755	2,946		3,646	2,826		73,687
Travel and meetings	204	49,529	3,170	1,504		6,047	231	60,685
Insurance	51,314	1,472			2,071	3,718	1,809	60,384
Other supplies	1,927	7,682	10,721	1,096	1,322	12,387	14,953	50,088
Telephone and technology	28,678	823			1,157	2,078	1,011	33,747
Depreciation	25,822	741			1,042	1,871	910	30,386
Dues and fees	1,905		6,879	255		4,692	12,982	26,713
Printing, postage and copying			1,250		3,608	3,371	14,690	22,919
Training and conferences	488		3,073	700		1,972		6,233
Total expenses	<u>\$ 1,545,691</u>	<u>\$ 1,027,451</u>	<u>\$ 904,860</u>	<u>\$ 396,905</u>	<u>\$ 145,218</u>	<u>\$ 552,493</u>	<u>\$ 385,335</u>	4,957,953
Cost of donor benefits provided at fundraising event								<u>45,282</u>
Total								<u>\$ 5,003,235</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, 2021

<u>EXPENSES</u>	<u>DAY CENTER</u>	<u>COORDINATED ACCESS</u>	<u>BEACON LAW</u>	<u>BRIGID'S HOPE</u>	<u>COMPASS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 432,084	\$ 746,035	\$ 661,293	\$ 125,472	\$ 92,196	\$ 309,301	\$ 227,921	\$ 2,594,302
Occupancy	565,667	38,095	23,100	6,300	25,292	60,969	20,531	739,954
Professional services			114,289	41,619		89,675	15,900	261,483
Client assistance:								
Client laundry, personal hygiene, clothing and food supplies	127,154			889	506	962		129,511
Client housing rent				112,492				112,492
Other client assistance		8,178	4,659	25,569	622			39,028
Security services	204,434		264					204,698
Repairs and maintenance	67,257	3,903	523	1,674	404	3,133		76,894
Travel and meetings	59	53,793	1,303	331		1,539	116	57,141
Insurance	44,167	1,276	320		1,795	3,223	1,568	52,349
Other supplies	737	6,446	6,748	582	769	6,439	7,514	29,235
Telephone and technology	29,893	858			1,206	2,166	1,054	35,177
Depreciation	28,096	806			1,134	2,036	991	33,063
Dues and fees	1,480		6,213	937		9,558	16,112	34,300
Printing, postage and copying		57	1,154	97	4,536	3,412	11,073	20,329
Training and conferences	3,415	3,261	1,820	925	853	1,665	427	12,366
Total expenses	<u>\$ 1,504,443</u>	<u>\$ 862,708</u>	<u>\$ 821,686</u>	<u>\$ 316,887</u>	<u>\$ 129,313</u>	<u>\$ 494,078</u>	<u>\$ 303,207</u>	4,432,322
Cost of donor benefits provided at fundraising event								<u>52,057</u>
Total								<u>\$ 4,484,379</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (477,334)	\$ 1,186,319
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	30,385	33,063
Changes in operating assets and liabilities:		
Contributions and grants receivable	219,645	(451,596)
Prepaid expenses and other assets	(4,694)	5,393
Accounts payable	55,918	15,968
Refundable advance – Paycheck Protection Program		(187,900)
Refundable contributions and grants	<u>(79,349)</u>	<u>(80,480)</u>
Net cash provided (used) by operating activities	<u>(255,429)</u>	<u>520,767</u>
NET CHANGE IN CASH	(255,429)	520,767
Cash, beginning of year	<u>2,086,978</u>	<u>1,566,211</u>
Cash, end of year	<u>\$ 1,831,549</u>	<u>\$ 2,086,978</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, 2022 and 2021

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.
- Coordinated Access is part of The Way Home Coordinated Access system that provides housing assessments and navigation for homeless men and women.
- Beacon Law provides pro-bono legal services to low-income individuals.
- 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 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.

Property with an original cost or contributed fair value 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 those 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 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.

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. Funding received before conditions are met is reported as refundable contributions and grants.

Fundraising event revenue represents the amounts paid by donors, sponsors, attendees, and auction participants of a fundraising event. Fundraising event revenue includes elements of both contributions and exchange transactions and is recognized when an event occurs. Cost of donor benefits provided at fundraising event represents the costs of goods and services provided in exchange for amounts paid by event participants.

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 benefited. 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.

Adoption of new accounting standard – Effective January 1, 2022, The Beacon adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires contributed nonfinancial assets to be presented separately in the statement of activities, apart from contributions of cash and other financial assets, and requires disclosure about the measurement and use of contributed nonfinancial assets. Presentation and disclosure in the financial statements for the year ended December 31, 2021 was updated to conform with the new presentation.

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>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 1,831,549	\$ 2,086,978
Contributions and grants receivable, net	532,731	752,376
Other assets	<u>47,837</u>	<u>49,607</u>
Total financial assets	2,412,117	2,888,961
Less financial assets not available for expenditure:		
Contributions receivable due in more than one year	(200,000)	(300,000)
Board-designated operating reserve	<u>(753,772)</u>	<u>(351,139)</u>
Total financial assets available for general expenditure	<u>\$ 1,458,345</u>	<u>\$ 2,237,822</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 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 of Directors. There also is a \$1 million line of credit from the Cathedral, which is available to The Beacon, if needed.

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 538,891	\$ 759,780
Discount to net present value at 1.26%	<u>(6,160)</u>	<u>(7,404)</u>
Contributions and grants receivable, net	<u>\$ 532,731</u>	<u>\$ 752,376</u>

Contributions and grants receivable at December 31, 2022 are expected to be collected as follows:

Receivable in less than one year	\$ 338,891
Receivable in one to five years	<u>200,000</u>
Total contributions and grants receivable	<u>\$ 538,891</u>

NOTE 4 – 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>2022</u>	<u>2021</u>
Facility rental and parking provided at no cost	\$ 513,243	\$ 572,799
Financial support	<u>25,065</u>	<u>50,000</u>
Total support from related parties	<u>\$ 538,308</u>	<u>\$ 622,799</u>

The Cathedral billed The Beacon for the following expenses:

	<u>2022</u>	<u>2021</u>
Facility operating costs	\$ 129,876	\$ 120,420
Accounting services	<u>59,775</u>	<u>59,775</u>
Total expenses billed by the Cathedral	<u>\$ 189,651</u>	<u>\$ 180,195</u>

The Beacon owed the following balances to the Cathedral:

Accounts payable	<u>\$ 27,244</u>	<u>\$ 22,661</u>
------------------	------------------	------------------

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2022</u>	<u>2021</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>(254,629)</u>	<u>(224,244)</u>
Property, net	<u>\$ 601,299</u>	<u>\$ 631,684</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Beacon Law	\$ 114,249	\$ 309,246
Subject to passage of time:		
Contributions receivable unavailable for expenditure until due	<u>300,000</u>	<u>400,000</u>
Total net assets with donor restrictions	<u>\$ 414,249</u>	<u>\$ 709,246</u>

NOTE 7 – CONTRIBUTIONS AND GRANTS

Contributions and grants of cash and other financial assets were recognized from the following sources:

	<u>2022</u>	<u>2021</u>
Government agencies	\$ 958,918	\$ 1,031,538
Texas Access to Justice Foundation	360,863	522,050
Other sources	<u>1,855,639</u>	<u>2,819,586</u>
Total contributions and grants of cash and other financial assets	<u>\$ 3,175,420</u>	<u>\$ 4,373,174</u>

Grants from government agencies, Texas Access to Justice Foundation, and other sources may 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 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.

At December 31, 2022, The Beacon had received conditional contributions and grants of approximately \$1,605,500 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 8 – CONTRIBUTED NONFINANCIAL ASSETS

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. 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 significantly decreased because of shelter in place orders and health concerns. Approximately 12,400 and 11,000 volunteer hours were provided to the Day Center in 2022 and 2021, respectively. 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.

Contributed nonfinancial assets are recognized as contribution and grant revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the contributed nonfinancial assets are used.

The following nonfinancial contributions and grants were recognized:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2022	2021
Donated space and parking	Utilized for employees and volunteers	None	Fair value based on current rates for similar space.	\$513,243	\$572,799
Food	Utilized for Day Center activities	None	Fair value using the latest Feeding America price per pound.	\$16,120	\$12,974
Auction items	Monetized in auction associated with fundraising event	None	Fair value using price received in auction.	\$15,045	\$13,650
Other donated items	Utilized at fundraising event	None	Fair value using current prices for similar items.	\$14,684	\$8,854
Total contributed nonfinancial assets				<u>\$559,092</u>	<u>\$608,277</u>

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 \$196,000 in 2022 and \$164,000 in 2021.

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

	<u>2022</u>	<u>2021</u>
Net assets available for pension benefits after amount designated for assessment deficiencies	\$ 265,795,000	\$ 236,116,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(222,546,000)</u>	<u>(232,873,000)</u>
Surplus	<u>\$ 43,249,000</u>	<u>\$ 3,243,000</u>
Funding percentage	119%	101%

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 7, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, 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.