



The Beacon of Downtown Houston

FINANCIAL STATEMENTS

December 31, 2023 and 2022



	Page
REPORT	
Independent Auditor’s Report	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10



Carr, Riggs & Ingram, LLC

Two Riverway

15th Floor

Houston, TX 77056

713.621.8090

713.621.6907 (fax)

CRIcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Beacon of Downtown Houston
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Beacon of Downtown Houston, an outreach ministry of Christ Church Cathedral, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Beacon of Downtown Houston, as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Beacon of Downtown Houston 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.

Prior Period Financial Statements

The financial statements of The Beacon of Downtown Houston as of December 31, 2022 were audited by other auditor's whose report dated July 7, 2023 expressed an unmodified opinion on those statements.

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 of Downtown Houston's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 of Downtown Houston'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 of Downtown Houston'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, on our consideration of The Beacon of Downtown Houston'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 of Downtown Houston'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 of Downtown Houston's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
May 31, 2024

**The Beacon of Downtown Houston
Statements of Financial Position**

<i>December 31,</i>	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 2,617,103	\$ 1,831,549
Promises to give	170,481	136,000
Grants receivable	187,781	202,891
Prepaid expenses and other assets	59,724	67,207
Total current assets	3,035,089	2,237,647
Non-current assets		
Promises to give, net	100,000	193,840
Property and equipment, net	621,597	601,299
Total non-current assets	721,597	795,139
Total assets	\$ 3,756,686	\$ 3,032,786
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 242,871	\$ 130,688
Refundable advances	52,732	55,527
Total current liabilities	295,603	186,215
Net assets		
Without donor restrictions	3,099,040	2,432,322
With donor restrictions	362,043	414,249
Total net assets	3,461,083	2,846,571
Total liabilities and net assets	\$ 3,756,686	\$ 3,032,786

The accompanying notes are an integral part of these financial statements.

**The Beacon of Downtown Houston
Statements of Activities**

<i>For the years ended December 31,</i>	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions:						
Cash and other financial assets	\$ 1,792,812	\$ 1,289,658	\$ 3,082,470	\$ 1,433,411	\$ 422,229	\$ 1,855,640
Nonfinancial assets	-	-	-	16,120	-	16,120
Grants:						
Cash and other financial assets	-	1,697,235	1,697,235	-	1,319,780	1,319,780
Fundraising event revenue:						
Cash and other financial assets	568,046	121,350	689,396	492,638	257,800	750,438
Nonfinancial assets	13,532	-	13,532	14,684	-	14,684
Proceeds - contributed auction items	24,005	-	24,005	15,045	-	15,045
Cost of donor benefits provided	(56,442)	-	(56,442)	(45,282)	-	(45,282)
Support from related parties:						
Cash and other financial assets	28,696	-	28,696	25,065	-	25,065
Nonfinancial assets	572,000	-	572,000	513,243	-	513,243
Interest income	25,936	-	25,936	3,064	-	3,064
Other revenue	43,963	-	43,963	12,822	-	12,822
Net assets released from restrictions						
Satisfaction of donor restrictions	3,060,449	(3,060,449)	-	2,194,806	(2,194,806)	-
Expiration of timing restrictions	100,000	(100,000)	-	100,000	(100,000)	-
 Total revenue and other support	 \$ 6,172,997	 \$ (52,206)	 \$ 6,120,791	 \$ 4,775,616	 \$ (294,997)	 \$ 4,480,619

(Continued)

The accompanying notes are an integral part of these financial statements.

**The Beacon of Downtown Houston
Statements of Activities (Continued)**

<i>For the years ended December 31,</i>	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
<i>Program services:</i>						
Day Center	\$ 1,650,766	\$ -	\$ 1,650,766	\$ 1,545,691	\$ -	\$ 1,545,691
Housing Services	1,231,745	-	1,231,745	1,027,451	-	1,027,451
Beacon Law	981,876	-	981,876	904,860	-	904,860
Brigid's Hope	442,459	-	442,459	396,905	-	396,905
COMPASS	171,514	-	171,514	145,218	-	145,218
Total program services	4,478,360	-	4,478,360	4,020,125	-	4,020,125
<i>Supporting services:</i>						
Management and general	682,602	-	682,602	552,493	-	552,493
Fundraising	345,317	-	345,317	385,335	-	385,335
Total supporting services	1,027,919	-	1,027,919	937,828	-	937,828
Total expenses	5,506,279	-	5,506,279	4,957,953	-	4,957,953
Changes in net assets	666,718	(52,206)	614,512	(182,337)	(294,997)	(477,334)
Net assets at beginning of year	2,432,322	414,249	2,846,571	2,614,659	709,246	3,323,905
Net assets at end of year	\$ 3,099,040	\$ 362,043	\$ 3,461,083	\$ 2,432,322	\$ 414,249	\$ 2,846,571

The accompanying notes are an integral part of these financial statements.

The Beacon of Downtown Houston Statement of Functional Expenses

For the year ended December 31, 2023

	Program Services						Supporting Services			2023 Total
	Day Center	Housing Services	Beacon Law	Brigid's Hope	COMPASS	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	
Salaries and related expenses	\$ 621,488	\$ 1,079,227	\$ 808,422	\$ 212,639	\$ 125,653	\$ 2,847,429	\$ 340,304	\$ 254,992	\$ 595,296	\$ 3,442,725
Occupancy	429,325	107,005	69,592	24,142	32,482	662,546	65,499	29,634	95,133	757,679
Professional services	8,532	6,139	50,038	38,103	1,053	103,865	202,311	29,025	231,336	335,201
Client assistance:										
Client laundry, personal hygiene, clothing and food supplies	124,713	-	-	1,323	868	126,904	-	-	-	126,904
Client housing rent	-	-	-	115,476	-	115,476	-	-	-	115,476
Other client assistance	-	-	3,602	38,264	1,220	43,086	884	-	884	43,970
Security services	328,955	-	-	-	-	328,955	-	-	-	328,955
Repairs and maintenance	66,320	3,927	14,145	1,286	2,797	88,475	8,051	3,623	11,674	100,149
Travel and meetings	379	14,406	6,722	2,162	3	23,672	667	708	1,375	25,047
Insurance	30,658	4,226	3,661	1,030	1,463	41,038	9,525	1,348	10,873	51,911
Other supplies	2,233	3,769	9,091	2,247	885	18,225	27,889	23,408	51,297	69,522
Telephone and technology	13,193	12,383	9,806	4,134	2,562	42,078	8,810	1,759	10,569	52,647
Depreciation	24,661	619	1,028	196	871	27,375	1,565	762	2,327	29,702
Dues and fees	166	44	2,079	-	-	2,289	8,900	42,984	51,884	54,173
Printing, postage and copying	143	-	1,517	-	1,657	3,317	5,073	13,445	18,518	21,835
Training and conferences	-	-	2,173	1,457	-	3,630	3,124	71	3,195	6,825
Total	1,650,766	1,231,745	981,876	442,459	171,514	4,478,360	682,602	401,759	1,084,361	5,562,721
Less: cost of donor benefits provided	-	-	-	-	-	-	-	(56,442)	(56,442)	(56,442)
Total functional expenses	\$ 1,650,766	\$ 1,231,745	\$ 981,876	\$ 442,459	\$ 171,514	\$ 4,478,360	\$ 682,602	\$ 345,317	\$ 1,027,919	\$ 5,506,279

The accompanying notes are an integral part of these financial statements.

The Beacon of Downtown Houston Statement of Functional Expenses

For the year ended December 31, 2022

	Program Services					Supporting Services				2022 Total
	Day Center	Housing Services	Beacon Law	Brigid's Hope	COMPASS	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	
Salaries and related expenses	\$ 416,302	\$ 926,865	\$ 720,345	\$ 197,343	\$ 101,899	\$ 2,362,754	\$ 327,153	\$ 298,398	\$ 625,551	\$ 2,988,305
Occupancy	548,891	36,124	10,150	5,075	24,880	625,120	45,463	22,305	67,768	692,888
Professional services	-	-	140,055	36,750	-	176,805	140,915	18,046	158,961	335,766
Client assistance:										
Client laundry, personal hygiene, clothing and food supplies	137,341	-	-	350	57	137,748	-	-	-	137,748
Client housing rent	-	-	-	118,028	-	118,028	-	-	-	118,028
Other client assistance	855	1,460	6,271	35,804	5,536	49,926	-	-	-	49,926
Security services	270,450	-	-	-	-	270,450	-	-	-	270,450
Repairs and maintenance	61,514	2,755	2,946	-	3,646	70,861	2,826	-	2,826	73,687
Travel and meetings	204	49,529	3,170	1,504	-	54,407	6,047	231	6,278	60,685
Insurance	51,314	1,472	-	-	2,071	54,857	3,718	1,809	5,527	60,384
Other supplies	1,927	7,682	10,721	1,096	1,322	22,748	12,387	46,424	58,811	81,559
Telephone and technology	28,678	823	-	-	1,157	30,658	2,078	1,011	3,089	33,747
Depreciation	25,822	741	-	-	1,042	27,605	1,871	909	2,780	30,385
Dues and fees	1,905	-	6,879	255	-	9,039	4,692	26,794	31,486	40,525
Printing, postage and copying	-	-	1,250	-	3,608	4,858	3,371	14,690	18,061	22,919
Training and conferences	488	-	3,073	700	-	4,261	1,972	-	1,972	6,233
Total	1,545,691	1,027,451	904,860	396,905	145,218	4,020,125	552,493	430,617	983,110	5,003,235
Cost of donor benefits provided	-	-	-	-	-	-	-	(45,282)	(45,282)	(45,282)
Total functional expenses	\$ 1,545,691	\$ 1,027,451	\$ 904,860	\$ 396,905	\$ 145,218	\$ 4,020,125	\$ 552,493	\$ 385,335	\$ 937,828	\$ 4,957,953

The accompanying notes are an integral part of these financial statements.

**The Beacon of Downtown Houston
Statements of Cash Flows**

<i>For the years ended December 31,</i>	2023	2022
Operating activities		
Changes in net assets	\$ 614,512	\$ (477,334)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	29,702	30,385
Changes in operating assets and liabilities		
Promises to give	59,359	292,943
Grants receivable	15,110	(73,298)
Prepaid expenses and other assets	7,483	(4,694)
Accounts payable and accrued liabilities	112,183	55,918
Refundable advances	(2,795)	(79,349)
Net cash provided by (used in) operating activities	835,554	(255,429)
Investing activities		
Purchases of property and equipment	(50,000)	-
Net cash used in investing activities	(50,000)	-
Financing activities		
Borrowings on related party line of credit	250,000	-
Repayments of related party line of credit	(250,000)	-
Net cash used in financing activities	-	-
Net change in cash and cash equivalents	785,554	(255,429)
Cash and cash equivalents, beginning of year	1,831,549	2,086,978
Cash and cash equivalents, end of year	\$ 2,617,103	\$ 1,831,549

The accompanying notes are an integral part of these financial statements.

The Beacon of Downtown Houston Notes to Financial Statements

Note 1: ORGANIZATION

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

The Organization serves Houston's unhoused community and those at risk of losing their housing. Services address basic needs as well as provide civil legal aid, counseling, mentoring, case management, and access to housing in the following programs:

Day Center – provides breakfast and hot homemade lunches, private showers, and full-service laundry services.

Housing Services – offers housing assessments through The Way Home Coordinated Access system for people experiencing homelessness. Housing navigation services support people moving from the street to stable housing.

Beacon Law – provides pro-bono legal services to income eligible individuals and families.

Brigid's Hope – offers assistance for women previously homeless and formerly incarcerated. This intensive year-long program includes single-room occupancy housing, case management, life skills training, counseling, and volunteer mentoring.

COMPASS – provides mailbox privileges, device charging, access to phone and computers, and resource and referral.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

The Beacon of Downtown Houston Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to collectability of grants receivable and promises to give, useful lives of property and equipment, contributions of nonfinancial assets, and functional allocation of expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates may be written off by management unless the donors indicate that payment is merely postponed. Management of the Organization considers promises to give to be fully collectible at December 31, 2023 and 2022; accordingly, no allowance for doubtful accounts has been recorded.

Grants Receivable

Grants receivable represent amounts owed to the Organization from government grants and contracts. The Organization considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when the determination is made.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over their estimated useful lives.

The Beacon of Downtown Houston Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Organization leases apartments for use as short-term housing for the Brigid's Hope program. Management determines if an arrangement is a lease at inception. Operating leases, if material, are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying statements of financial position. There are no long-term leases in effect as of December 31, 2023 and 2022, and therefore no ROU assets and operating lease liabilities were recognized at December 31, 2023 and 2022, respectively.

The Organization has elected to apply the short-term lease recognition exemption for all applicable classes of underlying assets that have a lease term of twelve months or less at the commencement date, and do not include an option to renew the lease or option to purchase the underlying asset that the Organization is reasonably certain to exercise. The short-term lease cost recognized and disclosed for those leases is \$115,476 and \$118,028 in 2023 and 2022, respectively.

Fair Value Considerations

The Organization uses fair value to measure financial and certain nonmonetary financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. The Organization's financial instruments (primarily cash and cash equivalents, receivables, and payables) are carried in the accompanying financial statements at amounts which reasonably approximate fair value.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Net assets not subject to donor imposed restrictions may also be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Beacon of Downtown Houston Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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 events represents the costs of goods and services provided in exchange for amounts paid by event participants.

A significant portion of the Organization's revenues are primarily derived from federal and state grants and contracts, which are conditioned upon certain performance requirements and/or occurrence of allowable qualifying expenses. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization recorded refundable advances as of December 31, 2023 and 2022 totaling \$52,732 and \$55,527, respectively. Cost-reimbursable grant awards totaling \$1,115,991 and \$1,605,500 have not been recognized as revenues at December 31, 2023 and 2022, respectively, because the qualifying expenditures have not yet been incurred.

Contributions of Nonfinancial Assets

Donated assets are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Donated services are recognized as contributions 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. The Organization receives donated services from unpaid volunteers who assist with special projects throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

The Beacon of Downtown Houston Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Approximately 65% of the hours necessary to operate the Day Center's program services are normally provided by volunteers. Due to the lessening of the effects of COVID-19 as well as the Organization switching back to serving hot meals, which require more volunteer efforts, volunteer hours increased significantly during 2023. Approximately 18,600 and 12,400 volunteer hours were provided to the Day Center in 2023 and 2022, 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.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Shared costs are allocated amongst the various programs and supporting services. Personnel expenses are allocated based upon actual time and effort. Occupancy costs, depreciation, insurance and information technology are allocated based on square footage occupied by the program or supportive service. Other expenses are allocated based on usage of benefits.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. No unrelated business income tax was incurred in 2023 and 2022.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2023 and 2022, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation. The reclassifications had no impact on changes in net assets.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 31, 2024, and identified no events requiring adjustment or disclosure in these financial statements. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**The Beacon of Downtown Houston
Notes to Financial Statements**

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

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:

<i>December 31,</i>	2023	2022
Total assets at year end	\$ 3,756,686	\$ 3,032,786
Less non-financial assets		
Prepaid expenses	(17,313)	(19,370)
Property and equipment, net	(621,597)	(601,299)
Financial assets at year-end	3,117,776	2,412,117
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(187,100)	(200,000)
Board designation - operating reserves	(872,291)	(753,772)
Board designation - fund development reserve	(200,000)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,858,385	\$ 1,458,345

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. The Organization expects to fund future general expenditures in excess of financial assets available from future revenue. The Organization maintains board designated reserves to fund operational projects and shortfalls should they occur. While the Organization does not expect to need these reserves to fund general expenditures, they remain available at the discretion of the Board of Directors. There also is a \$1 million line of credit from the Cathedral (see Note 11), which is available to the Organization if needed.

Note 4: PROMISES TO GIVE

Promises to give consist of the following:

<i>December 31,</i>	2023	2022
Promises to give	\$ 270,481	\$ 336,000
Discount to net present value at 1.26%	-	(6,160)
Promises to give, net	\$ 270,481	\$ 329,840

The Beacon of Downtown Houston Notes to Financial Statements

Note 4: PROMISES TO GIVE (Continued)

Promises to give at December 31, 2023 are expected to be collected in 2024, except for \$100,000 which is expected to be collected in 2025. Promises to give at December 31, 2022 are expected to be collected in 2023, except for \$200,000 which is expected to be collected \$100,000 each in 2024 and 2025.

Note 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>December 31,</i>	Estimated Useful Lives (in years)	2023	2022
Leasehold improvements	30	\$ 812,868	\$ 762,868
Furniture, fixtures, and equipment	5	93,060	93,060
Total property, at cost		905,928	855,928
Accumulated depreciation		(284,331)	(254,629)
Property and equipment, net		\$ 621,597	\$ 601,299

Depreciation expense totaled \$29,702 and \$30,385 for the years ended December 31, 2023 and 2022, respectively.

Note 6: COMPENSATED ABSENCES

The Organization provides vacation and sick leave benefits to its employees. The cost of vacation benefits is recorded when such benefits are earned, as these are payable upon termination. The cost of sick leave benefits, which are not payable upon employee termination, is recorded when such benefits are taken. Accrued vacation benefits approximated \$45,000 as of December 31, 2023. There were no accrued vacation benefits as of December 31, 2022.

Note 7: NET ASSETS

As of December 31, 2023 and 2022, the Organization's Board of Directors had designated \$872,291 and \$753,772, respectively, as an operating reserve. Additionally at December 31, 2023, the Organization's Board of Directors had designated \$200,000 as a fund development reserve.

**The Beacon of Downtown Houston
Notes to Financial Statements**

Note 7: NET ASSETS (Continued)

At December 31, net assets with donor restrictions are available for the following purposes or periods:

<i>December 31,</i>	2023	2022
Net assets subject to expenditure for specific purpose		
Beacon Law	\$ 25,000	\$ 114,249
COMPASS	49,943	-
Information technology	87,100	-
Net assets subject to passage of time - usage in future years	200,000	300,000
Total net assets with donor restrictions	\$ 362,043	\$ 414,249

Note 8: GRANTS

Grants were recognized from the following sources:

<i>For the years ended December 31,</i>	2023	2022
Federal grants	\$ 1,251,519	\$ 958,917
Texas Access to Justice Foundation	445,716	360,863
Total grants of cash and other financial assets	\$ 1,697,235	\$ 1,319,780

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 Organization's financial position or changes in net assets.

The Beacon of Downtown Houston Notes to Financial Statements

Note 9: CONTRIBUTED NONFINANCIAL ASSETS

The following contributions of nonfinancial assets were recognized for the years ended December 31:

Contributed nonfinancial assets	Monetized or utilized in programs / activities and valuation techniques and inputs	Donor restrictions	2023	2022
Donated space and parking	Utilized for employees and volunteers. Fair value based on current rates for similar space.	None	\$ 572,000	\$ 513,243
Food	Utilized for Day Center Activities. Fair value using the latest Feeding America price per pound.	None	-	16,120
Auction items	Monetized in auction associated with fundraising event. Fair value using prices received in auction.	None	24,005	15,045
Other donated items	Utilized at fundraising event. Fair value using current prices for similar items.	None	13,532	14,684
Total contributed nonfinancial assets			\$ 609,537	\$ 559,092

Note 10: CONCENTRATION OF CREDIT RISK

The Organization received 39% of its support and revenue during 2023 from two donors. The Organization received 11% of its support and revenue during 2022 from one donor. A significant decline in contribution revenue and governmental support could have an adverse impact on the Organization's future operating results. At December 31, 2023 and 2022, amounts due from two donors accounted for 84% and 78%, respectively, of the Organization's receivables.

The Organization maintains cash accounts at various banks, which at times, may exceed the Federal Deposit Insurance Corporation's limit. The Organization has not experienced any losses from maintaining cash accounts in excess of the federally insured limit. Management reviews the credit ratings of the financial institutions with which it conducts business on an annual basis and believes any credit risk is low due to the overall financial strength of the financial institutions.

Note 11: TRANSACTIONS WITH RELATED PARTIES

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

**The Beacon of Downtown Houston
Notes to Financial Statements**

Note 11: TRANSACTIONS WITH RELATED PARTIES (Continued)

The Organization has a line of credit (the line) available with the Cathedral up to \$1,000,000. The agreement is informal and is generally used for working capital during periods when cash flow from grants and promises to give is slower. The line does not have a stated interest rate, collateral requirements, or covenants, and there are no specific repayment terms. During 2023, the Organization borrowed \$250,000, but repaid it within the same year. There was no activity on the line in 2022.

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

<i>For the years ended December 31,</i>	2023	2022
Facility rental and parking provided at no cost	\$ 572,000	\$ 513,243
Financial support	28,696	25,065
Total support from related parties	\$ 600,696	\$ 538,308

The Cathedral billed the Organization for the following expenses:

<i>For the years ended December 31,</i>	2023	2022
Facility operating costs	\$ 276,711	\$ 129,876
Accounting services	14,943	59,775
Total expenses billed by the Cathedral	\$ 291,654	\$ 189,651

The Organization owed the following balances to the Cathedral:

<i>December 31,</i>	2023	2022
Amounts due to the Cathedral included in accounts payable	\$ 33,291	\$ 27,244

The Cathedral owed the following balances to the Organization:

<i>December 31,</i>	2023	2022
Amounts due from the Cathedral included in other assets	\$ 5,153	\$ 6,124

Church Corporation owed the following balances to the Organization:

<i>December 31,</i>	2023	2022
Amounts due from Church Corporation included in other assets	\$ 5,153	\$ 6,126

The Beacon of Downtown Houston Notes to Financial Statements

Note 12: EMPLOYEE RETIREMENT PLAN

The Organization 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 Organization recognizes expenses related to Plan assessments in the period that the related services are provided by the lay employees; such assessments totaled approximately \$227,000 in 2023 and \$196,000 in 2022.

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

<i>March 31,</i>	2023	2022
Net assets available for pension benefits after amount designated for assessment deficiencies	\$ 269,462,000	\$ 265,795,000
Less: Actuarial present value of accumulated plan benefit obligations	(198,603,000)	(222,546,000)
Surplus	\$ 70,859,000	\$ 43,249,000
Funding percentage	136%	119%