

THE BECKET FUND
AUDITED
FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

HOZIK & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Becket Fund
Washington, D.C.

Opinion

We have audited the accompanying financial statements of The Becket Fund ("Becket") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Becket Fund as of September 30, 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. 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 Becket Fund 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 Becket Fund's ability to continue as a going concern within 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 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, 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 Becket Fund'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 Becket Fund'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.

Horvik & Company, P.L.C.

Vienna, Virginia
December 15, 2022

THE BECKET FUND
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

		(Restated)
ASSETS	<u>2022</u>	<u>2021</u>
Cash	\$ 11,619,511	\$ 4,923,619
Restricted cash	275,521	275,521
Investments	323	2,377
Prepaid expenses and other assets	334,587	437,396
Accounts receivable - legal fees and awards receivable	-	1,950,000
Refundable employee retention credit	435,677	435,677
Other receivables	12,812	12,812
Contributions receivable, net	2,639,300	2,577,500
Property and equipment, net	213,818	228,448
Deposits	<u>9,793</u>	<u>9,998</u>
TOTAL ASSETS	<u>\$ 15,541,342</u>	<u>\$ 10,853,348</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 217,102	\$ 143,761
Clinic support payable, net	2,131,500	2,813,000
Refundable advances - Canterbury Medal Gala	11,000	1,000
Capital leases payable	48,203	43,366
Deferred rent incentive	<u>1,658,722</u>	<u>903,286</u>
TOTAL LIABILITIES	4,066,527	3,904,413
NET ASSETS		
Without donor restrictions		
Undesignated	8,790,669	4,121,435
With donor restrictions	<u>2,684,146</u>	<u>2,827,500</u>
TOTAL NET ASSETS	<u>11,474,815</u>	<u>6,948,935</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,541,342</u>	<u>\$ 10,853,348</u>

See notes to financial statements.

THE BECKET FUND
STATEMENTS OF ACTIVITIES
Years ended September 30, 2022 and 2021

	2022			(Restated) 2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 8,981,310	\$ 1,635,300	\$ 10,616,610	\$ 5,680,109	\$ 2,479,000	\$ 8,159,109
Canterbury Medal Gala	569,050	-	569,050	854,566	-	854,566
Less: costs of direct benefit to donors	(171,769)	-	(171,769)	(123,564)	-	(123,564)
	397,281	-	397,281	731,002	-	731,002
Legal fees and awards	3,308,023	-	3,308,023	2,157,049	-	2,157,049
Employee retention credit	-	-	-	435,677	-	435,677
Reimbursed litigation expenses	870	-	870	2,070	-	2,070
Miscellaneous income	7,953	-	7,953	19,406	-	19,406
TOTAL SUPPORT AND REVENUE	12,695,437	1,635,300	14,330,737	9,025,313	2,479,000	11,504,313
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of donation restrictions	1,778,654	(1,778,654)	-	2,581,230	(2,581,230)	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	14,474,091	(143,354)	14,330,737	11,606,543	(102,230)	11,504,313
EXPENSES						
Program services	8,092,263	-	8,092,263	9,761,485	-	9,761,485
Supporting services						
General and administrative	638,867	-	638,867	466,964	-	466,964
Fundraising	1,073,727	-	1,073,727	950,278	-	950,278
TOTAL EXPENSES	9,804,857	-	9,804,857	11,178,727	-	11,178,727
TOTAL INCREASE (DECREASE) IN NET ASSETS	4,669,234	(143,354)	4,525,880	427,816	(102,230)	325,586
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	4,121,435	2,827,500	6,948,935	3,693,619	2,929,730	6,623,349
NET ASSETS AT END OF YEAR	\$ 8,790,669	\$ 2,684,146	\$ 11,474,815	\$ 4,121,435	\$ 2,827,500	\$ 6,948,935

See notes to financial statements.

THE BECKET FUND
STATEMENTS OF CASH FLOWS
Years ended September 30, 2022 and 2021

		(Restated)
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 4,525,880	\$ 325,586
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization of property and equipment	40,189	61,368
(Decrease) increase in discount on contributions receivable	(9,300)	16,000
Donated investments	(125,456)	(32,740)
Decrease (increase) in discount on clinic support payable	43,500	(87,000)
Realized and unrealized gain on investments	-	(14,277)
Realized gain on donated investments	(1,065)	-
Proceeds from the sale of donated investments	128,575	-
Capitalized lease incentive	-	(181,850)
Loss on disposal of property and equipment	320	1,112
Changes in operating assets and liabilities		
Prepaid expenses and other assets	102,809	(69,966)
Accounts receivable - legal fees and awards receivable	1,950,000	(1,950,000)
Refundable employee retention credit	-	(435,677)
Other receivables	-	55,686
Contributions receivable	(52,500)	336,230
Deposits	205	30,324
Accounts payable and accrued expenses	73,341	(2,978)
Clinic support payable	(725,000)	2,900,000
Refundable advances - Canterbury Medal Gala	10,000	(49,062)
Deferred rent incentive	755,436	865,714
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,716,934	1,768,470
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	-	108,547
Proceeds from the sale of property and equipment	-	600
Purchase of property and equipment	(3,157)	-
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(3,157)	109,147
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital leases	(17,885)	(10,053)
NET CASH USED BY FINANCING ACTIVITIES	(17,885)	(10,053)
NET INCREASE IN CASH AND RESTRICTED CASH	6,695,892	1,867,564
CASH AND RESTRICTED CASH AT BEGINNING OF THE YEAR	5,199,140	3,331,576
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 11,895,032</u>	<u>\$ 5,199,140</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 8,124	\$ 8,233
Non cash financing activity:		
Equipment acquired under capital lease	\$ 22,722	\$ -

See notes to financial statements.

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1 - ORGANIZATION

The Becket Fund for Religious Liberty is a non-profit, public interest law firm that protects the free expression of all religions. Becket exists to vindicate a simple but frequently neglected principle: that because the religious impulse is natural to human beings, religious expression is natural to human culture. As a public interest law firm, Becket represents its clients free of charge (pro-bono) and takes on cases to challenge federal, state, and local violations against the first Amendment right to free expression. Since its founding in 1993, it has been the leading firm in defending the rights of people from “A to Z,” from Anglicans to Zoroastrians. Past and current clients include Buddhists, Christians, Hindus, Jews, Muslims, Sikhs, Native Americans and Zoroastrians. Becket has obtained kosher food for Jewish prisoners in Texas, made it possible for a mosque to open in Tennessee, kept a Sikh boy from getting kicked out of high school for wearing a kirpan, protected a Christian family-owned pharmacy from being forced to sell drugs that violated their religious beliefs, and protected the rights of a New York Amish community to build their houses according to their faith.

Becket supporters represent a myriad of religions, but they all share a common vision of a world where religious liberty is respected as a fundamental human right that all are entitled to enjoy and exercise. Its support comes from charitable contributions and grants from individuals and foundations of diverse faith traditions and backgrounds. It is internationally recognized as a leading public interest law firm by the elite media, religious leaders, academics and legal professionals.

Becket’s major sources of revenue are contributions and grants, legal fees and awards, and its annual gala.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: Becket maintains its accounting records on the accrual basis of accounting.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results differ from those estimates.

Basis of Presentation: In accordance with the *Not-For-Profit-Entities – Presentation of Financial Statements* sub topic of the FASB Accounting Standards Codification, Becket reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Becket. These net assets may be used at the discretion of Becket’s management and the Board of Directors.

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued):

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors that will be satisfied by action of Becket or by the passage of time.

Contributions and Grants: Contributions and grants are accounted for in accordance with the *Not-For-Profit Entities – Revenue Recognition* topic of the FASB Accounting Standards Codification. Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Legal Fees and Awards: Legal fees and awards are recognized as revenue upon the execution of a settlement agreement or court order awarding the fees. At the time that legal fees and awards are awarded, Becket has met the performance obligation of providing litigation services to the client.

Canterbury Medal Gala: Revenue from the Canterbury Medal Gala is comprised of tickets and sponsorships for the event. The fair market value of the dinner portion of tickets and sponsorships has been determined to be exchange revenue, while amounts received in excess of the value of the dinner are contributions. All of the revenue for the fair market value of the dinner portion of tickets and sponsorships is recognized at a point in time, on the date that the gala is held. Payment for tickets and sponsorships is generally due in advance of the gala.

For the years ended September 30, 2022 and 2021, Canterbury Medal Gala on the statements of activities is comprised of:

Canterbury Medal Gala	<u>2022</u>	<u>2021</u>
Contributions	\$484,616	\$704,566
Dinner value	<u>84,434</u>	<u>150,000</u>
	<u>\$569,050</u>	<u>\$854,566</u>

Cash and Restricted Cash: Cash and restricted cash consists of checking accounts, money market deposit accounts and petty cash.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts as shown in the statements of cash flows as of September 30:

	<u>2022</u>	<u>2021</u>
Cash	\$11,619,511	\$4,923,619

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Restricted Cash (Continued):

Restricted cash	<u>275,521</u>	<u>275,521</u>
Total cash and restricted cash as shown in the statements of cash flows	<u>\$11,895,032</u>	<u>\$5,199,140</u>

Restricted cash is comprised of a money market deposit account that serves as collateral for Becket's letter of credit. See Note 14.

Financial and Credit Risks: Becket maintains cash in various financial institutions, which at times may exceed Federally insured limits. Becket has not experienced any losses in such accounts. Becket believes it is not exposed to any significant credit risk on cash.

Becket is a not-for-profit, nonpartisan public interest law firm. Becket's clients are located throughout the United States. Becket performs ongoing credit evaluation of its clients and requires no collateral against accounts receivable. Becket has had minimal credit losses on its accounts receivable. There were no accounts receivable from clients at September 30, 2022 and 2021.

Accounts Receivable: Accounts receivable for fees, reimbursable expenses and awards are reported on the statements of financial position at the outstanding principal balance adjusted for any write-offs. Accounts receivable are considered past due based on contractual payment terms. Uncollectible accounts receivable are written off when it is finally determined they are uncollectible. No allowance for doubtful accounts is considered necessary at September 30, 2022 and 2021.

Investments in Marketable Securities: Investments with readily determinable fair values are reported at fair market value on the statements of financial position. The fair value of the investments which are traded on national security exchanges is valued at the closing price on the last business day of the year. Unrealized and realized gains and losses are included in the statements of activities as a component of miscellaneous income. Marketable securities acquired by donations are recorded at their fair value at the date of the donation.

Contributions Receivable and Refundable Advances: Unconditional contributions are recognized as revenues in the period received. Conditional contributions are recognized only when the condition on which they depend are substantially met and the contributions become unconditional. Contributions receivable are reported in the statements of financial position at the outstanding contribution balance adjusted for any write-offs and an allowance for uncollectible contributions, if applicable. Contributions anticipated to be received beyond one year are discounted to their net present value at a risk adjusted rate.

Payments received for conditional contributions in advance of satisfying the conditions are recorded as refundable advances on the statements of financial position. Contributions to be received in a period beyond one year from the date of the contribution are discounted to their net

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable and Refundable Advances (Continued):

present value at a risk adjusted rate at the date of contribution. Refundable advances at September 30, 2022 and 2021 represent payments received for future Canterbury Medal Gala.

Property and Equipment: Property and equipment of Becket are recorded at cost. The cost of disposed assets is removed from the respective fixed asset and accumulated depreciation and amortization accounts. Leasehold improvements are amortized over the shorter of the term of the related lease or the estimated useful life of the improvement. Depreciation and amortization of all other property and equipment is calculated using the straight-line method over the estimated useful lives of the related assets ranging from three to ten years. Becket's policy is to capitalize all purchases of property and equipment in excess of \$1,500.

Clinic Support Payable

Clinic support payable represents an unconditional gift to support the Harvard Law Clinic. Payments due in greater than one year from the statements of financial position have been discounted to present value using a rate of 2% per annum.

Functional Allocation of Expenses: The cost of providing program and other activities has been summarized on a functional basis in the statements of activities. Expenses directly attributable to a specific functional area of Becket are reported as expenses of those functional areas. Payroll and benefit expenses have been allocated across program and other supporting services based on the estimated time and effort spent by the employees in each area. Rent, travel and related, professional fees, books and subscriptions, depreciation and amortization, office expenses, other insurance, dues, fees and seminars, postage and delivery, and printing and reproduction have been primarily allocated based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

Income Taxes: Becket is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. However, any income from certain activities not directly related to Becket's tax-exempt purpose would be subject to taxation as unrelated business income. Becket did not incur any income tax expense related to unrelated business income for the years ended September 30, 2022 and 2021. As of September 30, 2022, the federal and state statute of limitations remains open for the 2019 through the 2022 tax years.

Subsequent Events: In preparing these financial statements, management has evaluated events and transactions that occurred after the statements of financial position date for potential recognition or disclosure through December 15, 2022, the date the financial statements were available to be issued. None were noted.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents Becket's financial assets at September 30, 2022 and 2021:

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - AVAILABILITY AND LIQUIDITY (CONTINUED)

Financial assets at year end:	<u>2022</u>	<u>2021</u>
Cash	\$11,619,511	\$4,923,619
Restricted cash	275,521	275,521
Investments	323	2,377
Accounts receivable - legal fees and awards	-	1,950,000
Refundable employee retention credit	435,677	435,677
Other receivables	12,812	12,812
Contributions receivable, gross – due in one year	1,235,000	987,500
Deposits	<u>9,793</u>	<u>9,998</u>
	13,588,637	8,597,504
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	(2,684,146)	(2,827,500)
Restricted cash	(275,521)	(275,521)
Less net assets with time restrictions to be met in less than one year	<u>1,235,000</u>	<u>987,500</u>
	(1,724,667)	(2,115,521)
Financial assets available to meet general expenditures over the next twelve months	<u>\$11,863,970</u>	<u>\$6,481,983</u>

Becket maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4 - INVESTMENTS AND INVESTMENT INCOME

Investments at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Stocks	\$ -	\$1,938
Cash	<u>323</u>	<u>439</u>
	<u>\$323</u>	<u>\$2,377</u>

Investment income consists of the following for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$1,093	\$2,020
Net realized and unrealized gain	<u>1,065</u>	<u>14,277</u>
	<u>\$2,158</u>	<u>\$16,297</u>

Investment income is included in miscellaneous income on the statements of activities.

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

The framework establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for the asset or liability.

The following table summarizes the valuation of the financial instruments by the above pricing levels as of September 30, 2022 and 2021:

	<u>2022</u> Unadjusted quoted market prices (<u>Level 1</u>)	<u>2021</u> Unadjusted quoted market prices (<u>Level 1</u>)
Stocks:		
Large cap	\$ -	\$1,938
Cash ¹	<u>323</u>	<u>439</u>
	<u>\$323</u>	<u>\$2,377</u>

¹ Becket's cash account is not valued at fair value under ASC 820, however is presented in this total to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

NOTE 6 - EMPLOYEE RETENTION CREDIT

The Employee Retention Credit is a refundable tax credit established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), expanded under the Consolidated Appropriations Act of 2021 and extended by the American Rescue Plan Act of 2021. The Infrastructure Investment and Jobs Act ended the availability of the credit on September 30, 2021 for most employers.

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - EMPLOYEE RETENTION CREDIT (CONTINUED)

The credit was designed to encourage employers to keep employees on their payroll and continue providing health benefits during the COVID-19 pandemic. Employers are eligible for the credit for quarters from January 1, 2020 and September 30, 2021 during which a significant decline in gross receipts was experienced as defined in the Acts. The amount of the credit is based on a percentage of qualifying wages paid to an employee between March 12, 2020 and September 30, 2021.

Becket has determined the employee retention credit is a conditional grant where the conditions are that payroll costs must be incurred during the qualifying periods and a significant decline in gross receipts is experienced, both as defined in the Acts.

Becket filed amended payroll tax returns requesting credits totaling \$435,677 in September 2021. As the conditions of the employee retention credit were met by September 30, 2021, Becket has recorded employee retention credit income and a related receivable on its September 30, 2022 and 2021 financial statements.

Laws and regulations concerning government programs, including the employee retention credit, are complex and subject to varying interpretations. There can be no assurance that regulatory authorities will not challenge Becket's claim to the credit, however Becket does not expect that this would result in any material impact to the organization.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at September 30, 2022 and 2021 are unconditional. Contributions receivable due twelve months or more after the statements of financial position date are discounted at 2% per annum.

Unconditional contributions receivable as of September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$1,235,000	\$987,500
Receivable in one to five years	<u>1,445,000</u>	<u>1,640,000</u>
Total unconditional contributions receivable	2,680,000	2,627,500
Less discount to net present value	<u>(40,700)</u>	<u>(50,000)</u>
Net unconditional contributions receivable	<u>\$2,639,300</u>	<u>\$2,577,500</u>

No allowance for doubtful contributions is considered necessary at September 30, 2022 and 2021.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment, net at September 30, 2022 and 2021 consists of:

	<u>2022</u>	<u>2021</u>
Computers and equipment	\$241,712	\$249,293

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - PROPERTY AND EQUIPMENT (CONTINUED)

Furniture	245,103	247,405
Website and server	187,731	187,731
Artwork	15,500	15,500
Software	1,700	1,700
Less accumulated depreciation and amortization	<u>(477,928)</u>	<u>(473,181)</u>
Total	<u>\$213,818</u>	<u>\$228,448</u>

As of September 30, 2022 and 2021, Becket leased two copiers under long-term capital leases.

Property and equipment includes the following amount for the leases that have been capitalized at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Equipment	\$86,241	\$77,059
Less accumulated amortization	<u>(40,764)</u>	<u>(40,762)</u>
	<u>\$45,477</u>	<u>\$36,297</u>

Amortization of these assets, computed by the straight-line method over the useful life of the asset, is included in depreciation and amortization expense.

NOTE 9 - CLINIC SUPPORT PAYABLE

Clinic support payable as of September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Payable in less than one year	\$725,000	\$725,000
Payable in one to five years	<u>1,450,000</u>	<u>2,175,000</u>
Total	2,175,000	2,900,000
Less discount to net present value	<u>(43,500)</u>	<u>(87,000)</u>
Net clinic support payable	<u>\$2,131,500</u>	<u>\$2,813,000</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions at September 30, 2022 and 2021 were restricted for the following purposes:

Subject to expenditure for specified purpose or passage of time:	<u>2022</u>	<u>2021</u>
Contributions receivable	\$2,639,300	\$2,577,500

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED
FROM RESTRICTIONS (CONTINUED)

Opposition research project	44,846	-
General operations- fiscal year 2022	<u>-</u>	<u>250,000</u>
	<u>\$2,684,146</u>	<u>\$2,827,500</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions during the years ended September 30, 2022 and 2021 are as follows:

Releases due to purpose restrictions accomplished:	<u>2022</u>	<u>2021</u>
Law clinics at elite schools	\$40,000	\$170,000
Next Generation of Scholars and Practitioners Project	345,000	225,000
Medical conscience rights	60,000	-
Pro life litigation	-	250,000
Other litigation	11,000	-
Opposition research project	55,154	-
Defense of the Catholic Church	<u>50,000</u>	<u>-</u>
	561,154	645,000
Releases due to passage of time:		
Contributions receivable	<u>1,217,500</u>	<u>1,936,230</u>
Net assets released from restrictions	<u>\$1,778,654</u>	<u>\$2,581,230</u>

NOTE 11 - EMPLOYEE BENEFITS

Becket has a 401(k) plan, which covers employees who meet the eligibility requirements and who elect to participate. Under terms of the plan, eligible employees may defer a portion of their compensation, which is then contributed to the plan. Effective January 2016, Becket began matching three percent of participant's base salary in the Plan. For the years ended September 30, 2022 and 2021, the total expense for the 401(k) Plan is \$138,511 and \$121,188, respectively. Becket also has a flexible benefits plan for employees.

NOTE 12 - CONCENTRATION OF SUPPORT AND REVENUE

Approximately 13% of support and revenue for the year ended September 30, 2022 was derived from one legal fee award. Approximately 24% of support and revenue for the year ended September 30, 2021 was provided from two donors.

NOTE 13 - RELATED PARTY TRANSACTIONS

Transactions with related parties for the years ended September 30, 2022 and 2021 are as follows:

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - RELATED PARTY TRANSACTIONS (CONTINUED)

	<u>2022</u>	<u>2021</u>
Contributions from Board members	\$530,100	\$2,163,916

Balances due from related parties at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Contributions receivable from Board members	\$1,000,000	\$1,500,000

NOTE 14 - LEASE, RENT EXPENSE AND OTHER COMMITMENTS

Becket leases office space in Washington, D.C., Mount Pleasant, South Carolina, and Salt Lake City, Utah under operating leases. Becket also leases copiers under capital leases that expire September 2024 and August 2027.

Future minimum lease payments on Becket's leases at September 30, 2022 are as follows:

<u>Year ending September 30:</u>	<u>Capital leases</u>	<u>Operating leases</u>	<u>Total</u>
2023	\$19,180	\$908,541	\$927,721
2024	19,180	886,482	905,662
2025	4,867	908,668	913,535
2026	4,867	931,428	936,295
2027	4,463	954,764	959,227
2028 and thereafter	<u>-</u>	<u>5,325,146</u>	<u>5,325,146</u>
	52,557	\$9,915,029	\$9,967,586
Less amount representing interest	<u>(4,354)</u>		
	<u>\$48,203</u>		

Rent expense was \$891,664 and \$835,345 for the years ended September 30, 2022 and 2021, respectively.

Becket's lease agreement for office space in Washington D.C. requires a letter of credit for \$275,521 in lieu of a security deposit. The letter of credit is secured by a money market account.

NOTE 15 - FUNCTIONAL EXPENSES

The functional allocation of expenses for the year ended September 30, 2022 is as follows:

		<u>Supporting Services</u>		
	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and benefits	\$ 5,666,476	\$ 320,653	\$ 607,328	\$ 6,594,457

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - FUNCTIONAL EXPENSES (CONTINUED)

		Supporting Services		
	Program	General and	Fundraising	Total
	services	administrative		
Rent	709,155	108,545	73,964	891,664
Conferences and events	303,268	4,635	294,763	602,666
Communications	357,172	570	12,839	370,581
Litigation support	243,311	4,903	-	248,214
Travel and related	54,377	136,749	16,732	207,858
Professional fees	128,987	6,601	13,656	149,244
Research and special projects	163,050	-	-	163,050
Office expenses	124,629	6,378	13,195	144,202
Information technology	76,296	15,469	9,419	101,184
Insurance	60,948	3,119	6,453	70,520
Subcontractor expense	75,500	12,020	-	87,520
Clinic support	43,500	-	-	43,500
Depreciation and amortization	34,735	1,777	3,677	40,189
Postage and delivery	22,670	1,160	2,400	26,230
Public relations	407	9,442	16,296	26,145
Printing and reproduction	13,431	687	1,422	15,540
Books and subscriptions	7,329	5,800	840	13,969
Interest	7,022	359	743	8,124
	<u>\$ 8,092,263</u>	<u>\$ 638,867</u>	<u>\$ 1,073,727</u>	<u>\$ 9,804,857</u>

The functional allocation of expenses for the year ended September 30, 2021 is as follows:

		Supporting Services		
	Program	General and	Fundraising	Total
	services	administrative		
Payroll and benefits	\$ 4,837,780	\$ 269,874	\$ 541,043	\$ 5,648,697
Rent	701,529	60,702	73,114	835,345
Conferences and events	1,938	20,195	242,519	264,652
Communications	394,681	1,015	17,748	413,444
Litigation support	237,526	-	-	237,526
Travel and related	115,163	5,996	12,427	133,586
Professional fees	144,824	7,540	15,627	167,991
Research and special projects	101,422	(60)	-	101,362
Office expenses	111,113	27,397	11,991	150,501
Information technology	52,349	41,708	4,706	98,763

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - FUNCTIONAL EXPENSES (CONTINUED)

		Supporting Services		
	Program services	General and administrative	Fundraising	Total
Insurance	48,112	2,505	5,191	55,808
Subcontractor expense	96,920	21,869	-	118,789
Clinic support	2,813,000	-	-	2,813,000
Depreciation and amortization	52,904	2,755	5,709	61,368
Postage and delivery	23,190	1,207	2,502	26,899
Public relations	-	26	11,271	11,297
Printing and reproduction	19,169	998	2,068	22,235
Books and subscriptions	2,768	2,717	3,396	8,881
Interest	7,097	370	766	8,233
Donations	-	150	200	350
	<u>\$ 9,761,485</u>	<u>\$ 466,964</u>	<u>\$ 950,278</u>	<u>\$11,178,727</u>

NOTE 16 - PRIOR YEAR ADJUSTMENT

Clinic support payable and net assets without donor restrictions at September 30, 2021 were restated to record an unconditional gift to support a law clinic that was excluded in error from liabilities. The effect of this prior year adjustment on the accompanying financial statements is as summarized as follows:

	As previously reported	Prior year adjustment	As restated
Statement of Financial Position as of September 30, 2021			
Liabilities			
Clinic support payable	\$ -	\$2,813,000	\$2,813,000
Total liabilities	\$1,091,413	\$2,813,000	\$3,904,413
Net assets			
Without donor restrictions	\$6,934,435	\$(2,813,000)	\$4,121,435
Total net assets	\$9,761,935	\$(2,813,000)	\$6,948,935
Statement of Activities for the year ended September 30, 2021			
Program services expense	\$6,948,485	\$2,813,000	\$9,761,485
Total expenses	\$8,365,727	\$2,813,000	\$11,178,727
Total increase (decrease) in net assets without donor restrictions	\$3,240,816	\$(2,813,000)	\$427,816
Net assets at end of year without donor restrictions	\$6,934,435	\$(2,813,000)	\$4,121,435

THE BECKET FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 - PRIOR YEAR ADJUSTMENT (CONTINUED)

Statement of Cash Flows for the year ended
September 30, 2021

Change in net assets	\$3,138,586	\$(2,813,000)	\$325,586
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Adjustments to reconcile change in net
assets to net cash provided by operating
activities

Clinic support payable	\$ -	\$2,813,000	\$2,813,000
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