

**THE BECKET FUND**  
**AUDITED**  
**FINANCIAL STATEMENTS**

**Years Ended September 30, 2015 and 2014**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Becket Fund

We have audited the accompanying financial statements of The Becket Fund (the "Fund") (a nonprofit organization) which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Becket Fund as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Hozik + Company, P.L.C.*

Vienna, Virginia  
January 21, 2016

THE BECKET FUND  
 STATEMENTS OF FINANCIAL POSITION  
 September 30, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Cash	\$ 2,386,713	\$ 1,436,401
Restricted cash	209,446	167,877
Accounts receivable	-	10,650
Prepaid expenses and other assets	129,100	188,126
Pledges receivable	-	45,000
Property and equipment, net	79,512	40,827
Deposits	<u>46,016</u>	<u>88,325</u>
TOTAL ASSETS	<u>\$ 2,850,787</u>	<u>\$ 1,977,206</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 117,983	\$ 235,259
Accrued compensation and related liabilities	17,675	38,217
Capital lease	7,330	9,551
Unearned grant revenue	209,446	167,877
Deferred rent incentive	320,638	9,134
Long-term debt	<u>15,887</u>	<u>42,698</u>
TOTAL LIABILITIES	688,959	502,736
NET ASSETS		
Unrestricted	2,114,406	1,429,470
Temporarily restricted	<u>47,422</u>	<u>45,000</u>
TOTAL NET ASSETS	<u>2,161,828</u>	<u>1,474,470</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,850,787</u>	<u>\$ 1,977,206</u>

See notes to financial statements.

THE BECKET FUND  
 STATEMENTS OF ACTIVITIES  
 Years ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions and grants	\$ 4,571,123	\$ 4,285,404
Canterbury medal dinner	603,650	530,136
Legal fees	782,944	10,650
Grant for services	546,694	462,000
Reimbursed litigation expenses	1,399	5,815
Miscellaneous income	<u>3,593</u>	<u>20,495</u>
<b>TOTAL UNRESTRICTED SUPPORT AND REVENUE</b>	<b>6,509,403</b>	<b>5,314,500</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Satisfaction of donation restrictions	<u>251,178</u>	<u>175,000</u>
<b>TOTAL UNRESTRICTED REVENUE, SUPPORT AND     NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>6,760,581</b>	<b>5,489,500</b>
<b>EXPENSES</b>		
Program services	5,090,815	3,904,171
Supporting services		
General and administrative	419,849	363,930
Fundraising	<u>564,981</u>	<u>605,479</u>
<b>TOTAL EXPENSES</b>	<b><u>6,075,645</u></b>	<b><u>4,873,580</u></b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>684,936</b>	<b>615,920</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	253,600	45,000
Net assets released from restrictions	<u>(251,178)</u>	<u>(175,000)</u>
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED     NET ASSETS</b>	<b><u>2,422</u></b>	<b><u>(130,000)</u></b>
<b>TOTAL INCREASE IN NET ASSETS</b>	<b>687,358</b>	<b>485,920</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b><u>1,474,470</u></b>	<b><u>988,550</u></b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,161,828</u></b>	<b><u>\$ 1,474,470</u></b>

See notes to financial statements.

THE BECKET FUND  
 STATEMENTS OF CASH FLOW  
 Years ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 687,358	\$ 485,920
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization of property and equipment	25,910	19,462
(Gain) loss on disposal of property and equipment	(1,062)	1,516
Changes in operating assets and liabilities		
Accounts receivable	10,650	54,324
Prepaid expenses and other assets	59,026	(60,660)
Pledges receivable	45,000	130,000
Deposits	42,309	(38,366)
Accounts payable and accrued expenses	(117,276)	(90,539)
Accrued compensation and related liabilities	(20,542)	2,915
Unearned grant revenue	41,569	117,873
Deferred rent incentive	<u>311,504</u>	<u>(32,910)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,084,446	589,535
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in restricted cash	(41,569)	(117,873)
Purchase of property and equipment	(65,228)	(23,710)
Proceeds from the sale of property and equipment	<u>1,695</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	(105,102)	(141,583)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease	(2,221)	(2,154)
Principal payments on long-term debt	<u>(26,811)</u>	<u>(25,490)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(29,032)</u>	<u>(27,644)</u>
NET INCREASE IN CASH	950,312	420,308
CASH AT BEGINNING OF THE YEAR	<u>1,436,401</u>	<u>1,016,093</u>
CASH AT END OF YEAR	<u>\$ 2,386,713</u>	<u>\$ 1,436,401</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 1,783	\$ 3,810

See notes to financial statements.

THE BECKET FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015 and 2014

NOTE 1 - ORGANIZATION

The Becket Fund for Religious Liberty is a not-for-profit, nonpartisan organization, dedicated to protecting the free expression of all religions. As a public interest law firm, the Becket Fund takes on cases to challenge federal, state, and local violations against the First Amendment right to free expression. Since our founding in 1993, we have been the leading firm in defending religious liberty, representing individuals and organizations of all faith traditions, including Buddhists, Christians, Hindus, Jews, Muslims, Sikhs, Zoroastrians, and others. The Becket Fund 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, allowed a Christian family-owned pharmacy to avoid selling drugs prohibited by their religion, and protected the rights of a New York Amish community to build their houses according to their faith.

The Becket Fund's support comes from contributions and grants from individuals and foundations of diverse faith traditions and backgrounds. We are internationally recognized as a leading public interest firm by media sources, religious leaders, and legal professionals.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Fund 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, the Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted net assets and permanently restricted net assets.

THE BECKET FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued):

Unrestricted net assets are the net assets that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Fund pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specific purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Fund's actions. The Fund has no permanently restricted net assets at September 30, 2015 and 2014.

Contributions: Contributions are accounted for in accordance with the *Not-For-Profit Entities - Revenue Recognition* topic of the FASB Accounting Standards Codification. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grant for Services: Revenue from grants for services is recognized as allowable costs under the grant are incurred.

Cash: Cash consist of checking accounts and petty cash.

Financial and Credit Risk: The Fund maintains cash in bank deposit accounts, which at times may exceed Federally insured limits. The Fund has not experienced any losses in such accounts. The Fund believes it is not exposed to any significant credit risk on cash.

The Fund is a not-for-profit, nonpartisan and ecumenical public interest law firm. The Fund's clients are located throughout the United States. The Fund performs ongoing credit evaluation of its clients and requires no collateral against accounts receivable. The Fund has had minimal credit losses on its accounts receivable.



THE BECKET FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 and 2014.

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

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

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Fund is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. As of September 30, 2015, the federal and state statute of limitations remains open for the 2012 through the 2015 tax years.

Subsequent Events: In preparing these financial statements, management has evaluated events and transactions that occurred after the statement of financial position date for potential recognition or disclosure through January 21, 2016, the date the financial statements were available to be issued. None were noted.

NOTE 3 - RESTRICTED CASH AND UNEARNED GRANT REVENUE

Restricted cash consists of a bank account opened for funds received relating to a grant for the Religious Freedom Clinic at Stanford University Law School.

THE BECKET FUND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - PLEDGES RECEIVABLE

There were no pledges receivable at September 30, 2015. Pledges receivable at September 30, 2014 are unconditional and are receivable in less than one year.

No allowance for doubtful pledges is considered necessary at September 30, 2014.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment, net at September 30, 2015 and 2014 consists of:

	<u>2015</u>	<u>2014</u>
Computers and equipment	\$101,026	\$82,683
Furniture	8,137	26,865
Website and server	39,973	26,801
Artwork	12,500	12,500
Software	10,848	10,848
Leasehold improvements	-	9,633
Less accumulated depreciation and amortization	<u>(92,972)</u>	<u>(128,503)</u>
Total	<u>\$79,512</u>	<u>\$40,827</u>

As of September 30, 2015 and 2014, the Fund leased a copier under a long-term capital lease. Property and equipment includes the following amount for a lease that has been capitalized at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Equipment	\$12,399	\$12,399
Less accumulated depreciation	<u>(5,510)</u>	<u>(3,149)</u>
	<u>\$6,889</u>	<u>\$9,250</u>

Depreciation of these assets, computed by the straight-line method over the useful lives of the assets, is included in depreciation expense.

NOTE 6 - BORROWINGS UNDER LINE OF CREDIT

As of September 30, 2014, the Fund had a \$75,000 line of credit available from Eagle Bank. Interest was payable monthly at the daily prime rate as published by the Wall Street Journal, plus 1% subject to a floor of 4.75%. The line of credit was collateralized by substantially all the assets of the Fund. During February 2015, the line of credit was increased to \$250,000 and the due date was extended to November 2, 2015. The interest rate and the collateral for the line of credit remained unchanged. In October 2015, the line of credit maturity date was extended to November 3, 2016. The line of credit was not drawn on in 2015 or 2014.

THE BECKET FUND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LONG-TERM DEBT

The Fund has a five year term loan from Eagle Bank for \$125,000. Interest is fixed at 5% with monthly interest and principal payments of \$2,363 due from April 2012 through April 2017. The loan is collateralized by all of the assets of the Fund.

The amount outstanding at September 30, 2015 and 2014 was \$15,887 and \$42,698, respectively.

In connection with the loan, the Fund is required to comply with certain financial and nonfinancial covenants. At September 30, 2015, the Fund believes it is in compliance with the covenants.

Interest expense on the loan for the years ended September 30, 2015 and 2014 amounted to \$1,434 and \$2,761, respectively.

Future minimum principal payments of long-term debt are as follows:

<u>Year ending September 30,</u>	
2016	<u>\$15,887</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2015 and 2014 restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Messaging Campaign	\$47,422	\$ -
Pledges receivable	-	<u>45,000</u>
	<u>\$47,422</u>	<u>\$45,000</u>

NOTE 9 - EMPLOYEE BENEFITS

The Fund has a 401(k) plan, which covers full-time employees who meet the eligibility requirements and who elect to participate. All contributions to the plan are paid by the employees. Under terms of the plan, eligible employees may defer a portion of their compensation, which is then contributed to the plan. The Fund also has a flexible benefits plan for employees.

NOTE 10 - MAJOR CONTRIBUTORS AND CONTRIBUTIONS

Approximately 30% of unrestricted and restricted support and revenue for the year ended September 30, 2015 was provided by two donors. Approximately 39% of unrestricted and restricted support and revenue for the year ended September 30, 2014 was provided by two donors. The Fund's annual dinner raised approximately 9% and 10% of total unrestricted

THE BECKET FUND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - MAJOR CONTRIBUTORS AND CONTRIBUTIONS (CONTINUED)

and restricted support and revenue for the years ended September 30, 2015 and 2014, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

Transactions with related parties for the years ended September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Contributions from Board members	\$599,739	\$202,114

NOTE 12 - LEASE COMMITMENTS AND RENT EXPENSE

The Fund leases office space in Washington, D.C., Mount Pleasant, South Carolina, and Salt Lake City, Utah under operating leases that end December 31, 2020, August 31, 2016 and August 31, 2016, respectively. The Fund also leases a copier under a lease agreement which is accounted for as a capital lease.

Future minimum lease payments on the Fund's leases at September 30, 2015 are as follows:

<u>Year ending September 30:</u>	<u>Capital lease</u>	<u>Operating leases</u>	<u>Total</u>
2016	\$2,690	\$396,215	\$398,905
2017	2,690	502,865	505,555
2018	2,468	525,504	527,972
2019	-	549,199	549,199
2020	-	573,949	573,949
2021	<u>-</u>	<u>149,939</u>	<u>149,939</u>
	7,848	<u>\$2,697,671</u>	<u>\$2,705,519</u>
Less amount representing interest	<u>(518)</u>		
	<u>\$7,330</u>		

Rent expense was \$559,304 and \$306,876 for the years ended September 30, 2015 and 2014, respectively.

THE BECKET FUND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - FUNCTIONAL EXPENSES

The functional allocation of expenses for the year ended September 30, 2015 is as follows:

	Program services	Supporting Services		Total
		General and administrative	Fundraising	
Payroll and benefits	\$ 2,691,314	\$ 178,911	\$ 223,128	\$ 3,093,353
Books and subscriptions	26,362	1,752	2,186	30,300
Conferences and events	162,364	-	243,545	405,909
Depreciation	22,542	1,499	1,869	25,910
Dues, fees and seminars	31,789	2,113	2,636	36,538
Legal liability insurance	22,927	-	-	22,927
Other insurance	8,583	570	711	9,864
Interest	-	1,895	-	1,895
Litigation	11,525	-	-	11,525
Travel and related	182,017	12,100	15,090	209,207
Office expenses	99,935	6,644	8,286	114,865
Printing and reproduction	86,559	5,754	7,176	99,489
Professional fees	149,614	80,594	12,476	242,684
Information technology	-	55,222	-	55,222
Public relations	157,002	-	-	157,002
Subcontractor expense	825,719	34,405	-	860,124
Rent	486,613	32,348	40,343	559,304
Postage and delivery	16,202	1,077	1,343	18,622
Communications	74,691	4,965	6,192	85,848
Donations	24,810	-	-	24,810
Becket Institute	10,247	-	-	10,247
	<u>\$ 5,090,815</u>	<u>\$ 419,849</u>	<u>\$ 564,981</u>	<u>\$ 6,075,645</u>

THE BECKET FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - FUNCTIONAL EXPENSES

The functional allocation of expenses for the year ended September 30, 2014 is as follows:

	Program services	Supporting Services		Total
		General and administrative	Fundraising	
Payroll and benefits	\$ 2,410,801	\$ 134,568	\$ 317,419	\$ 2,862,788
Books and subscriptions	22,114	1,234	2,912	26,260
Conferences and events	139,508	343	192,623	332,474
Depreciation	16,389	915	2,158	19,462
Dues, fees and seminars	39,316	2,195	5,177	46,688
Legal liability insurance	21,545	-	-	21,545
Other insurance	5,817	325	766	6,908
Interest	-	3,916	-	3,916
Litigation	11,213	-	-	11,213
Travel and related	110,775	6,184	14,585	131,544
Office expenses	47,947	2,676	6,313	56,936
Printing and reproduction	46,980	2,622	6,186	55,788
Professional fees	81,060	103,794	10,164	195,018
Information technology	-	65,334	-	65,334
Public relations	94,933	-	-	94,933
Subcontractor expense	537,204	22,383	-	559,587
Rent	258,425	14,425	34,026	306,876
Postage and delivery	19,309	1,078	2,542	22,929
Communications	34,711	1,938	4,570	41,219
Direct mail - Campaign expenses	-	-	6,038	6,038
Donations	1,000	-	-	1,000
Becket Institute	5,124	-	-	5,124
	<u>\$ 3,904,171</u>	<u>\$ 363,930</u>	<u>\$ 605,479</u>	<u>\$ 4,873,580</u>