

THE THOMAS MORE SOCIETY
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
For the Years Ended December 31, 2020 and 2019

THE THOMAS MORE SOCIETY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Thomas More Society

We have audited the accompanying financial statements of **THE THOMAS MORE SOCIETY** (a nonprofit organization) which comprise the statements of assets, liabilities, and net assets-cash basis as of December 31, 2020 and 2019, and the related statements of support, revenue and expenses-cash basis and functional expenses-cash basis 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 the cash basis of accounting as described in Note 2. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 presentations 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 assets, liabilities, and net assets of **THE THOMAS MORE SOCIETY** as of December 31, 2020 and 2019, and its support, revenue, and expenses for the years then ended in conformity with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Cary J. Hall & Associates, LLC

Chicago, Illinois
August 14, 2021

THE THOMAS MORE SOCIETY

Statements of Assets, Liabilities, and Net Assets-Cash Basis

December 31, 2020 and 2019

ASSETS	2020	2019
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 4,805,145	\$ 1,849,981
Investments (Note 3)	35,822	158,586
Total Current Assets	4,840,967	2,008,567
Long-term Assets:		
Fixed assets, net (Note 5)	247	562
Total Long-Term Assets	247	562
Other Assets:		
Bond deposit (Note 10)	600,000	-
Security deposit	24,757	24,757
Total Other Assets	624,757	24,757
Total Assets	<u>\$ 5,465,971</u>	<u>\$ 2,033,886</u>
LIABILITIES		
Current Liabilities:		
Credit card payable	\$ 15,660	\$ 50,190
Payroll tax liabilities	-	11,732
Retirement plan payables	8,660	2,500
Health savings account payable	1,548	538
Transit pass payable	629	2,070
Total Current Liabilities	26,497	67,030
NET ASSETS		
Unrestricted:		
Without donor retrictions	5,439,474	1,966,856
Total Net Assets	5,439,474	1,966,856
Total Liabilities and Net Assets	<u>\$ 5,465,971</u>	<u>\$ 2,033,886</u>

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

THE THOMAS MORE SOCIETY
Statements of Support, Revenue, and Expenses-Cash Basis
For the Years Ended December 31, 2020 and 2019

REVENUES AND SUPPORT

Contributions - Direct Public Support	\$ 17,328,488	\$ 9,423,291
Contributions - Securities	64,830	149,278
PPP Loan Forgiveness (Note 9)	277,380	-
Net Passive Activity Income (Note 3)	570	2,598
Interest and dividends	2,461	3,928
Gain sale of donated stock (Note 3)	11,765	32,086

Total Revenues and Support	<u>17,685,494</u>	<u>9,611,181</u>
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EXPENSES

Program services	12,315,593	7,568,042
Management and General	429,178	446,063
Fundraising	1,468,105	713,696

Total Expenses	<u>14,212,876</u>	<u>8,727,801</u>
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CHANGE IN NET ASSETS	3,472,618	883,380
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NET ASSETS

Beginning of year	<u>1,966,856</u>	<u>1,083,476</u>
End of year	<u><u>\$ 5,439,474</u></u>	<u><u>\$ 1,966,856</u></u>

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

THE THOMAS MORE SOCIETY
Statements of Functional Expenses-Cash Basis
For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Supporting Services			Total	Supporting Services			Total
	Program Services	Management and General	Fundraising		Program Services	Management and General	Fundraising	
Legal fees and court costs	\$ 5,708,513	\$ -	\$ -	\$ 5,708,513	\$ 4,897,577	\$ -	\$ -	\$ 4,897,577
Legal research fees	74,904	-	-	74,904	63,964	-	-	63,964
Books and literature	2,667	-	-	2,667	2,981	-	-	2,981
March for Life expenses	-	-	-	-	16,081	-	-	16,081
Postage	36,723	681	13,114	50,518	198,183	6,127	110,731	315,041
Printing	961,526	561	-	962,087	550,533	3,392	63	553,988
Speak out donation	-	-	-	-	100	-	-	100
Salaries - office	906,069	77,000	374,060	1,357,129	385,661	216,261	124,380	726,302
Salaries - officers	602,875	50,800	18,325	672,000	445,885	51,624	18,728	516,237
Payroll taxes	120,559	11,073	26,787	158,419	54,966	10,216	18,840	84,022
Credit card processing	8,615	-	-	8,615	37,397	-	-	37,397
Insurance	21,690	45,758	-	67,448	-	3,442	-	3,442
Insurance - health	201,577	-	8,057	209,634	90,582	12,488	16,439	119,509
Storage and utilities	-	2,424	-	2,424	-	3,188	-	3,188
Rent	156,670	15,361	-	172,031	103,442	9,051	16,811	129,304
Repairs and maintenance	-	-	-	-	-	200	-	200
Office expenses and supplies	-	38,339	-	38,339	2,296	42,875	-	45,171
Accounting fees	-	128,301	-	128,301	-	32,835	-	32,835
Payroll processing	-	6,271	-	6,271	-	-	-	-
Bank charges	-	6,959	-	6,959	-	7,786	-	7,786
Video production services	-	-	-	-	4,750	-	-	4,750
Telephone	27,813	4,090	-	31,903	21,319	-	-	21,319

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

THE THOMAS MORE SOCIETY
Statements of Functional Expenses-Cash Basis
For the Years ended December 31, 2020 and 2019

	2020			2019				
	Supporting Services			Supporting Services				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Contract services	2,929,042	-	173,804	3,102,846	8,788	-	87,576	96,364
Computer services	19,150	31,390	5,762	56,302	22,338	39,016	17,009	78,363
Educational and legal	-	-	-	-	3,781	-	-	3,781
Staff expenses - auto	521	-	-	521	5,157	-	-	5,157
Staff expenses - travel	72,281	-	-	72,281	223,934	-	-	223,934
Staff expenses - other	13,410	-	-	13,410	41,398	-	-	41,398
Dues and memberships	12,561	-	-	12,561	8,959	-	-	8,959
Advertising and promotion	293,475	-	-	293,475	214,669	-	-	214,669
Website	7,321	-	-	7,321	1,952	-	-	1,952
Delivery service	10,955	-	-	10,955	4,880	-	-	4,880
Charitable contributions	70,225	-	-	70,225	56,064	-	-	56,064
Business and cafeteria	-	8,081	-	8,081	777	-	-	777
Springfield benefit	-	-	-	-	1,340	-	-	1,340
Banquet expenses	30,574	-	-	30,574	14,984	-	-	14,984
Simple - Employer match	13,097	1,207	2,162	16,466	14,021	2,585	1,097	17,703
Processing fee - Anedot	-	-	141,962	141,962	61,137	-	-	61,137
Conference and convention	12,780	-	-	12,780	6,973	-	-	6,973
Continuing education	-	-	-	-	673	-	-	673
Fundraising service	-	-	704,072	704,072	500	-	302,022	302,522
Depreciation	-	858	-	858	-	4,722	-	4,722
Sundry taxes and licenses	-	24	-	24	-	255	-	255
Total Functional Expenses	\$ 12,315,593	\$ 429,178	\$ 1,468,105	\$ 14,212,876	\$ 7,568,042	\$ 446,063	\$ 713,696	\$ 8,727,801

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

THE THOMAS MORE SOCIETY

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 1 - NATURE OF THE ORGANIZATION

The Thomas More Society (the Society) is a national public interest law firm dedicated to restoring respect in law for life, family, and religious liberty. Based in Chicago, the Thomas More Society defends and fosters support for these causes by providing high-quality, pro bono legal services from local trial courts all the way to the United States Supreme Court.

The Society was forged out of necessity in 1997 in order to continue defending the historic *N.O.W. v. Scheidler* case. This nationwide class action lawsuit brought by the National Organization for Women against prominent pro-life leader Joseph Scheidler (among others) was a transparent attempt to gag pro-life activism at abortion clinics nationally through the blatant misuse of federal antitrust and racketeering statutes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The accompanying financial statements have been prepared on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets are recognized when paid for in cash, such as depreciable property and equipment and investments. Investments are reported at market value. Also, revenues are recognized when received in cash rather than when earned, and expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Society has not recognized contributions receivable or accounts payable to vendors and their related effects on the change in net assets in the accompanying financial statements. Also, the statement of cash flows has been omitted.

Financial statement presentation: The classification of a not-for-profit organization's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets be displayed in the Statements of Financial Position and that the amounts of change in each of those classes of net assets be displayed in the Statements of Activities.

In accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), the Society reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. There were no donor restrictions during the years ended December 31, 2020 and 2019.

Net assets - Net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified as follows:

THE THOMAS MORE SOCIETY

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 the Society. The Society's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Fair value measurements and disclosures: The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Observable inputs are unadjusted, quoted prices for identical assets or liabilities in active market at the measurement date. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks and mutual funds.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date. Most debt securities, preferred stocks, certain equity securities, short-term investments, and derivatives are model priced using observable inputs and are classified as Level 2.

Level 3 - Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Examples of Level 3 assets include investments in limited partnerships.

There are financial assets classified as Level 1, 2, and 3 assets under the fair value hierarchy described above.

Contributions and promises to give: Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as with donor restriction if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods.

THE THOMAS MORE SOCIETY

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenue recognition: Revenue is recognized when received and consists primarily of contributions from the direct public.

Donated services and materials: Donated stock is recorded at its fair market value at the time of the donation. Where measurable, gifts in kind are recorded at their fair market value. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Volunteers provided various services throughout the year to the Society that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Fixed assets: Fixed assets are stated at cost. The Society capitalizes expenditures for additional renewals and betterments. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Furniture and fixtures	5-7 years
Computer, software and office equipment	5 years

Change in accounting principle: In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 amends the current reporting model for non-profit organizations and enhances their required disclosures. The major changes impacting the Society include: (1) requiring the presentation of only two classes of net assets now titled "net assets with donor restriction" and "net assets without donor restriction," (2) requiring that all non-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs,

THE THOMAS MORE SOCIETY

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Change in accounting principle - continued : (3) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (4) presenting investment return net of external investment expenses, and (5) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of non-profit financial statements. The Society has adopted ASU 2016-14 as of and for the years ended December 31, 2020 and 2019. The Society also changed its presentation of net asset classes and expanded footnote disclosures as required by ASU 2016-14.

Income taxes: The Society was incorporated in the State of Illinois and is exempt from federal, state, and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has made no provision for income taxes in the accompanying financial statements.

Concentration of credit risk: Financial instruments, which potentially subject the Society to concentration of credit risk, consist primarily of cash and cash equivalents. At times the Society has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits.

Use of estimates: In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates that are used.

Cash and cash equivalents: The Society considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Subsequent events: Subsequent events have been evaluated through August 14, 2021, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS AT COST

Investments at December 31, 2020 and 2019, are summarized below:

	2020	2019
Stocks, Silver & Limited Partnerships	\$ 35,822	\$ 158,586

The cost of the investments detailed above is determined by the quotation price at the date of donation.

THE THOMAS MORE SOCIETY

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AT COST FAIR VALUE - CONTINUED

The Society's holdings in equities consist of common stock securities, silver and limited liability partnerships, which were determined by the quoted market prices at the donation date. The Society includes these prices in the amounts disclosed in Level 1, 2, and 3 of the hierarchy. The following tables present the Society's assets at December 31, 2020 and 2019, that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. At the date of the financial statement, the cost of the investments approximates fair market value. The difference between cost and fair value is

2020				
	Total	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 24,650	\$ 24,650	\$ -	\$ -
Silver	3,443	-	3,443	-
Limited Liability Partnerships	31,808	24,079	-	7,729
Totals	<u>\$ 59,901</u>	<u>\$ 48,729</u>	<u>\$ 3,443</u>	<u>\$ 7,729</u>

2019				
	Total	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 147,358	\$ 147,358	\$ -	\$ -
Silver	3,443	-	3,443	-
Limited Liability Partnerships	7,785	-	-	7,785
Totals	<u>\$ 158,586</u>	<u>\$ 147,358</u>	<u>\$ 3,443</u>	<u>\$ 7,785</u>

For the years ended December 31, 2020 and 2019, the Society reported a realized gain of \$11,765 and \$32,086, respectively, in statement of activities.

THE THOMAS MORE SOCIETY

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 4 - LIQUIDITY AND AVAILABILITY

Total financial statements at year end December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 4,805,145	\$ 1,849,981
Investments at cost value	35,822	158,586
Total financial assets at year end	4,840,967	2,008,567
Less: amounts not available to be used within one year	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,840,967</u>	<u>\$ 2,008,567</u>

The Society receives significant contributions from the general public for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Society manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Society operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Further, the Society's investment portfolio consists of common stock securities which are not subject to any constraints limiting the Society's ability to respond quickly to changes in market conditions.

NOTE 5 - PROPERTY AND EQUIPMENT

As of December 31, 2020 and 2019, major classes of property and equipment are as follows:

	2020	2019
Computer and office equipment	\$ 91,757	\$ 91,214
Furniture and fixtures	28,800	28,800
Computer software	6,828	6,828
Less: accumulated depreciation and amortization	(127,138)	(126,280)
Property and equipment, net	<u>\$ 247</u>	<u>\$ 562</u>

THE THOMAS MORE SOCIETY

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 6 - LEASE AGREEMENTS

The Society rents space under separate lease agreements for use of office space in both Chicago, Illinois and Omaha, Nebraska. Lease payments totaled \$13,018 per month at the Chicago, Illinois location and \$1,096 per month at the Omaha, Nebraska location. The Chicago, Illinois lease is effective for the period August 1, 2018, through June 30, 2026. The Society has the option to terminate the lease effective as of the end of the sixth year. The Omaha, Nebraska lease is effective from April 1, 2019, through March 31, 2022. Total lease expense was \$172,031 and \$129,304 for the years ended December 31, 2020 and 2019.

The following is a schedule of future minimum rental payments required under the above leases:

For the years ended December 31,	Chicago, Illinois	Omaha, Nebraska	Totals
2021	\$ 145,598	\$ 13,354	\$ 158,952
2022	146,560	3,355	149,915
2023	150,927	-	150,927
2024	155,440	-	155,440
2025 and beyond	259,128	-	259,128
Total Minimum Future Rent	<u>\$ 857,653</u>	<u>\$ 16,709</u>	<u>\$ 874,362</u>

NOTE 7 - SIMPLE RETIREMENT PLAN

The Society sponsors a SIMPLE IRA Plan. The Society's contribution under this plan shall be based upon a matching contribution equal to 100% of their elective deferrals, up to 3% of each employee's compensation for the calendar year. Eligibility requires employees who earned at least \$5,000 per year during any two preceding years and who are expected to earn at least \$5,000 in the current year to participate in the plan.

The total Society's SIMPLE IRA contribution for the years ended December 31, 2020 and 2019, was \$16,467 and \$17,703, which represents the Society's matching contribution. SIMPLE IRA plans must be maintained on a calendar year basis. The Society also uses the calendar year, and its contributions for a year are deductible if made by the due date (including extensions) of the Society's return for the year.

THE THOMAS MORE SOCIETY

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 8 - FLEXIBLE BENEFITS PLAN - SECTION 125

The Thomas More Society Flexible Benefits Plan is a benefit program that allows the employees to use pretax benefit dollars through payroll deduction to pay for insurance premiums and unreimbursed medical expenses which they normally pay with out-of-pocket taxable dollars.

Section 125 of the Internal Revenue Code permits the Society to offer their employees the opportunity to participate in designing their own personalized benefit plan on a pretax basis. Eligible employees are those who are regularly scheduled to work 35 or more hours per week for the Society.

NOTE 9 - SBA PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

Paycheck Protection Program (PPP)

On April 20, 2020 the Society received \$267,380 as part of the PPP. The PPP is a loan designed to provide a direct incentive for small businesses and non for profits to keep their workers on the payroll. The Small Business Association (SBA) will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses or non for profits any fees. This loan has a maturity of 2 years and an interest rate of 1%. The loan amount was forgiven in 2020, and recorded as revenue in the Statement of Activities.

SBA EIDL Grant

The Society as part of the SBA's Economic Injury Disaster Loan (EIDL) program applied for and received an EIDL grant of \$10,000 as an advance on their EIDL loan. This advance was treated as a tax-free grant and did not need to be paid back. The \$10,000 grant was recorded as revenue in the Statement of Activities.

NOTE 10 - BOND DEPOSIT

The Society currently represents a client in a civil court matter which is on appeal and as to which an appeal bond has been required. The amount deposited is \$600,000 and is recorded as an Other Asset in the Statement of Assets, Liabilities and Net Assets - Cash Basis. The asset is restricted, meaning it cannot be used for a purpose other than the bond.