



Treasured Vessels Foundation

**Financial Statements
December 31, 2018**

Treasured Vessels Foundation

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Independent Auditors' Report

To the Board of Directors of
Treasured Vessels Foundation

We have audited the accompanying financial statements of Treasured Vessels Foundation which comprise the statement of financial position as of December 31, 2018 and the related statement of activities, functional expenses and cash flows for the year 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 U.S. generally accepted accounting principles; 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 error or fraud.

Auditors' Responsibility

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

An audit includes performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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 Treasured Vessels Foundation as of December 31, 2018, and the changes in net assets and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Sutton Grost Cary

A Limited Liability Partnership

Arlington, Texas
July 12, 2019

Treasured Vessels Foundation
Statement of Financial Position
December 31, 2018

Assets	
Cash	\$ 86,166
Cash restricted for construction	38,541
Other assets	100
Construction in progress	<u>31,562</u>
Total assets	<u>\$ 156,369</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 1,320
Net assets	
Without donor restriction	116,508
With donor restriction	<u>38,541</u>
Total net assets	<u>155,049</u>
Total liabilities and net assets	<u>\$ 156,369</u>

See notes to financial statements.

Treasured Vessels Foundation
Statement of Activities
Year Ended December 31, 2018

	Without donor restriction	With donor restriction	Total
Support and revenue:			
Contributions	\$ 103,393	\$ 37,000	\$ 140,393
In-kind contributions	18,420	-	18,420
Special event, net of direct costs of \$16,671	37,951	-	37,951
Other income	742	-	742
Net assets released from restrictions	21,208	(21,208)	-
Total support and revenue	181,714	15,792	197,506
Expenses:			
Program	9,324	-	9,324
Administrative	56,281	-	56,281
Fundraising	36,473	-	36,473
Total expenses	102,078	-	102,078
Change in net assets	79,636	15,792	95,428
Net assets at beginning of year	36,872	22,749	59,621
Net assets at end of year	\$ 116,508	\$ 38,541	\$ 155,049

See notes to financial statements.

Treasured Vessels Foundation
Statement of Functional Expenses
Year Ended December 31, 2018

	Program	Administrative	Fundraising	Total
Merchandise	\$ -	\$ 1,396	\$ -	\$ 1,396
Transaction fees	-	855	1,480	2,335
Contract labor	-	34,843	34,844	69,687
Technology - in-kind	-	4,920	-	4,920
Background checks - in-kind	-	937	-	937
Professional services - in-kind	-	2,000	-	2,000
Insurance	-	2,372	-	2,372
Travel and meetings	-	1,058	-	1,058
Public awareness	9,324	-	-	9,324
Office	-	3,302	149	3,451
Special events	-	1,630	16,671	18,301
Other	-	2,968	-	2,968
Total expenses	9,324	56,281	53,144	118,749
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(16,671)	(16,671)
Total expenses included in the expense section on the statement of activities	\$ 9,324	\$ 56,281	\$ 36,473	\$ 102,078

See notes to financial statements.

Treasured Vessels Foundation
Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:

Change in net assets	\$	95,428
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
In-kind construction in progress		(563)
Prepaid expenses		3,750
Other assets		(100)
Accounts payable		1,320
Net cash provided by operating activities		99,835

Cash flows from investing activities:

Purchases of construction in progress		(30,999)
Net cash used by investing activities		(30,999)

Change in cash		68,836
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Cash and restricted cash at beginning of year		55,871
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Cash and restricted cash at end of year	\$	124,707
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Supplemental cash flow information:

During the year ended December 31, 2018, the Organization received donated materials with a fair value of \$563 used towards construction of a building.

Treasured Vessels Foundation

Notes to Financial Statements

1. Foundation

Treasured Vessels Foundation, formerly known as Chosen Family, (Foundation) is a nonprofit Organization incorporated in the state of Texas that is devoted to providing a safe place for girls ages eleven to seventeen who have been rescued from domestic sex trafficking to receive healing and hope. The Foundation aims to provide these services through building shelters, therapy as part of the healing process and restoring hope for the future.

The Foundation is primarily supported by contributions and grants from foundations, civic and religious organizations, corporations and individuals.

The Foundation's current project is to build a secure facility to house, rehabilitate, and shape a successful future for females ages eleven to seventeen rescued from sex trafficking in the Dallas-Fort Worth area.

2. Summary of Significant Accounting Policies

The accounting policies of the Foundation conform to U.S. generally accepted accounting policies (GAAP). The more significant accounting policies of the Foundation are described below.

Basis of Accounting

The Foundation prepares the financial statements on the accrual basis of accounting.

Financial Statement Presentation

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

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designed for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Foundation chooses to show donor-restricted contributions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Treasured Vessels Foundation

Notes to Financial Statements

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash. Cash is placed with a high credit quality financial institution to minimize risk. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2018, the Foundation has no uninsured amounts.

Construction-in-Progress

Construction-in-progress consists of a project to build a secure facility to house up to eight females ages eleven to seventeen rescued from sex trafficking in the Dallas-Fort Worth area. Once the project is complete, the associated costs will be transferred to building and depreciated over the asset's estimated useful life.

Revenue Recognition

Contributions, grants and similar gifts are generally recorded only upon receipt unless evidence of an unconditional promise to give (pledge) has been received. Donated goods and materials, and use of facilities are reflected as contributions at their estimated fair values at date of receipt.

Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include contract labor and office expenses which are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Foundation's exempt purposes is subject to tax under IRC Section 511. The Foundation had no unrelated business income for the year ended December 31, 2018. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Foundation's tax return and recognition of a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation, and has concluded

Treasured Vessels Foundation

Notes to Financial Statements

that as of December 31, 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Foundation considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's consolidated financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

Treasured Vessels Foundation

Notes to Financial Statements

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

The Foundation is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

The Foundation adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended December 31, 2018. As a result, the major changes applicable to the Foundation include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

3. In-Kind Contributions

During the year ended December 31, 2018, the Foundation received in-kind contributions as follows:

Materials	\$ 563
Services	<u>17,857</u>
	<u>\$ 18,420</u>

Donated materials relate to materials used for the construction of a building donated by Custom Homes of Texas.

The estimated fair market value of these contributions is reflected in the accompanying statement of activities as in-kind contributions.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions totaling \$38,541 at December 31, 2018 are restricted for construction of a home for up to eight girls rescued from sex trafficking.

Treasured Vessels Foundation
Notes to Financial Statements

5. Liquidity and Availability of Resources

The Foundation has \$88,106 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of operating cash of \$88,106.

6. Related Party Transactions

Related parties consist of Custom Homes of Texas, a contracting company that is owned by the spouse of a staff member. The Foundation has contracted Custom Homes of Texas for the construction of a building.

7. Subsequent Events

In March 2019, the Foundation was gifted a tract of land by an individual grantor with an estimated value of \$25,000.

The Foundation evaluated subsequent events the date the financial statements were available to be issued, and concluded that no additional disclosures are required.