



Treasured Vessels Foundation

Financial Statements
December 31, 2019

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, 2019 and the related statements 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, 2019, and the changes in net assets and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Correction of an Error

As described in Note 3 to the financial statements, Treasured Vessels Foundation's net assets as of January 1, 2019 were restated to correct an error resulting from releasing restrictions for construction in progress before the asset was placed in service. Our opinion is not modified with respect to that matter.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
June 15, 2020

Treasured Vessels Foundation
Statement of Financial Position
December 31, 2019

Assets	
Cash	\$ 98,069
Cash restricted for construction	27,500
Prepaid Expenses	5,000
Property and equipment	<u>114,440</u>
Total assets	<u><u>\$ 245,009</u></u>

Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 8,437
Net assets	
Without donor restriction	176,823
With donor restriction	<u>59,749</u>
Total net assets	<u>236,572</u>
Total liabilities and net assets	<u><u>\$ 245,009</u></u>

See notes to financial statements.

Treasured Vessels Foundation
Statement of Activities
Year Ended December 31, 2019

	Without donor restriction	With donor restriction	Total
Support and revenue:			
Contributions	\$ 152,000	\$ -	\$ 152,000
In-kind contributions	34,064	-	34,064
Special event, net of direct costs of \$20,454	42,460	-	42,460
Other income	1,925	-	1,925
Total support and revenue	230,449	-	230,449
Expenses:			
Program	71,527	-	71,527
Administrative	44,075	-	44,075
Fundraising	33,324	-	33,324
Total expenses	148,926	-	148,926
Change in net assets	81,523	-	81,523
Net assets at beginning of year, as restated	95,300	59,749	155,049
Net assets at end of year	\$ 176,823	\$ 59,749	\$ 236,572

See notes to financial statements.

Treasured Vessels Foundation
Statement of Functional Expenses
Year Ended December 31, 2019

	Program	Administrative	Fundraising	Total
Transaction fees	\$ -	\$ 581	\$ 1,005	\$ 1,586
Contracted services	45,981	29,679	29,681	105,341
Supplies and furnishings	10,082	-	-	10,082
Insurance	-	3,058	-	3,058
Travel and meetings	-	843	-	843
Public awareness	6,499	-	-	6,499
Office	8,965	6,600	2,638	18,203
Special events	-	-	20,454	20,454
Other	-	3,314	-	3,314
Total expenses	71,527	44,075	53,778	169,380
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(20,454)	(20,454)
Total expenses included in the expense section on the statement of activities	\$ 71,527	\$ 44,075	\$ 33,324	\$ 148,926

See notes to financial statements.

Treasured Vessels Foundation
Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 81,523
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Donated land	(25,000)
Changes in assets and liabilities:	
Prepaid expenses	(5,000)
Accounts payable	7,117
Net cash provided by operating activities	58,640
Cash flows from investing activities:	
Purchases of property and equipment	(57,778)
Net cash used by investing activities	(57,778)
Change in cash	862
Cash and restricted cash at beginning of year	124,707
Cash and restricted cash at end of year	\$ 125,569
Reconciliation of cash and restricted cash reported within the statement of financial position to the statement of cash flows:	
Cash	\$ 98,069
Cash restricted for construction	27,500
Total cash and restricted cash shown in the statement of cash flows	\$ 125,569

Noncash investing activities:

During the year ended December 31, 2019, the Organization received donated land with a fair value of \$25,000.

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 long-term safe place for healing and growth to individuals impacted by trauma from exploitation in sex trafficking. 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 officially began program operations in November 2019.

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

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. In the absence of donor restrictions to the contrary, donor-restrictions on contributions of property or equipment or on assets restricted to acquire or construct property expire when the property is placed in service.

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, 2019, the Foundation has no uninsured amounts.

Property and equipment

Property and equipment purchased by the Foundation are recorded at cost or if acquired by gift, fair market value at the date of the gift. The Foundation follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; the fair value of donated property and equipment is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 10 to 29 years for buildings and improvements and 3 to 10 years for furniture and equipment.

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 services and office expenses which are allocated on the basis of estimates of time and effort.

Treasured Vessels Foundation

Notes to Financial Statements

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, 2019. 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 that as of December 31, 2019, 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 Foundation's consolidated financial position and changes in net assets.

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, 2021.

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

Treasured Vessels Foundation

Notes to Financial Statements

Accounting Pronouncements Adopted

The Foundation adopted FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* as of and for the year ended December 31, 2019. ASU2018-08 was issued 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.

Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

The Foundation also adopted FASB ASU 2016-18, *Statement of Cash Flows: Restricted Cash* as of and for the year ended December 31, 2019. This ASU requires that the statement of cash flows explain the change during the year in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash are included with the cash to reconcile the beginning of year and end of year total amounts shown on the statement of cash flows.

3. Prior Year Restatement

The Foundation's net assets as of January 1, 2019 were restated as a result of releasing restrictions for construction in progress before the asset was placed in service. The restatement resulted in an increase to net assets with donor restrictions and a decrease to net assets without donor restrictions in the amount of \$21,208. The restatement had no impact on total net assets.

4. Property and Equipment

Property and equipment consist of the following at December 31, 2019:

Land	\$	64,850
Construction in progress		46,523
Furniture and equipment		3,067
		<hr/>
	\$	<u>114,440</u>

Treasured Vessels Foundation
Notes to Financial Statements

5. In-Kind Contributions

During the year ended December 31, 2019, the Foundation received in-kind contributions as follows:

Furnishings	\$ 9,064
Land	<u>25,000</u>
	<u>\$ 34,064</u>

The estimated fair market value of these contributions is reflected in the accompanying financial statements as in-kind contributions, property and program supplies.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions totaling \$59,749 at December 31, 2019 are restricted for construction of a home for up to eight girls rescued from sex trafficking.

7. Liquidity and Availability of Resources

The Foundation has \$98,069 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 \$98,069.

8. 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.

9. Subsequent Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Foundation, if any, cannot be determined at this time.

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