



REGINALD DEWAYNE SHERMAN, CPA
Meeting Your Business Needs

Audited Financial Statements
OF
TREASURED VESSELS FOUNDATION
As of December 31, 2020

TREASURED VESSELS FOUNDATION

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



REGINALD DEWAYNE SHERMAN, CPA
Meeting Your Business Needs

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Treasured Vessels Foundation

Opinion

We have audited the accompanying financial statements of Treasured Vessels Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year 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 Treasured Vessels Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Treasured Vessels Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Treasured Vessels Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

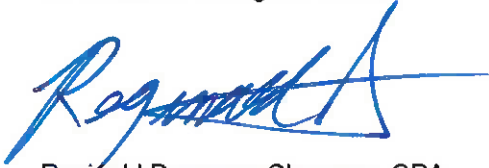
Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and 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, including omissions, 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 Treasured Vessels Foundation'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 Treasured Vessels Foundation'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.



Reginald Dewayne Sherman, CPA

Dallas, TX
May 25, 2021

**Treasured Vessels Foundation
Statement of Financial Position
December 31, 2020**

Assets

Current assets

Cash		\$ 206,446
Cash restricted for construction		57,725
Contributions promised		13,792
Prepaid expenses		<u>2,500</u>
Total current assets		<u><u>\$ 280,463</u></u>

Property plant and equipment

Land	64,850	
Construction in progress	46,523	
Furniture & Equipment	21,134	
Less Accumulated Depreciation	<u>(6,067)</u>	126,440

Total Assets		<u><u>\$ 406,903</u></u>
---------------------	--	--------------------------

Liabilities and Net Assets

Current liabilities

Accounts payable		\$ 2,769
Payroll taxes payable		8,954
PPP loan payable		<u>26,250</u>

Total Liabilities		\$ 37,973
--------------------------	--	-----------

Net Assets:

Without donor restriction		254,781
With donor restriction		<u>114,149</u>
Total net assets		368,930

Total Liabilities and Net Assets		<u><u>\$ 406,903</u></u>
---	--	--------------------------

Treasured Vessels Foundation
Statement of Activities
December 31, 2020

	Without donor restrictions	With donor restrictions	Totals
Support and revenue:			
Contributions	\$ 423,013	\$ 54,400	\$ 477,413
In-kind contributions	20,243	-	20,243
Special event, net of direct costs of \$12,544	45,681	-	45,681
Other income	8	-	8
Total revenue and support before releases	\$ 488,944	\$ 54,400	\$ 543,344
Net assets released from restrictions	\$ -	\$ -	\$ -
Total revenue and support	\$ 488,944	\$ 54,400	\$ 543,344
Expenses:			
Program	\$ 250,580	-	\$ 250,580
Administrative	106,738	-	106,738
Fundraising	50,930	-	50,930
Total Expenses	\$ 408,248	\$ -	\$ 408,248
Change in net assets	80,696	54,400	135,096
Net assets, beginning of the year	174,085	\$ 59,749	233,834
Net assets, end of the year	\$ 254,781	\$ 114,149	\$ 368,930

The accompanying notes are an integral part of the financial statements

**Treasured Vessels Foundation
Statement of Functional Expenses
Year Ended December 31, 2020**

	Program	Administrative Expense	Fundraising Expense	Total
Contracted services	\$ 71,130	\$ 32,609	\$ 29,236	\$ 132,974
Depreciation expense	3,000	-	-	3,000
In-kind donation	29,045	-	-	29,045
Insurance	10,040	462	-	10,502
Office	910	9,046	-	9,956
Outside Services	9,106	2,062	-	11,168
Public awareness	1,630	-	-	1,630
Payroll taxes	6,713	5,548	99	12,360
Rent	30,000	-	-	30,000
Salaries/wages	75,289	48,121	21,596	145,005
Special events	-	-	12,544	12,544
Supplies	6,106	1,516	-	7,622
Transaction fees	-	2,666	-	2,666
Travel and meetings	338	1,832	-	2,170
Utilities	7,273	2,876	-	10,149
Total	250,580	106,738	63,474	420,792
Less expenses included in revenue of the statement of activities				
Direct costs of special events	-	-	(12,544)	(12,544)
Total expenses included in the expense section of the statement of activities	\$ 250,580	\$ 106,738	\$ 50,930	\$ 408,248

Treasured Vessels Foundation
Statement of Cash Flows
December 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ 135,096
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	3,000
Changes in assets and liabilities:	
Contributions promised	(13,792)
Accounts payable	(5,668)
Payroll taxes payable	8,954
	<hr/>
Net cash provided by operating activities	127,590
Cash flows from investing activities:	
Purchases of property and equipment	-
	<hr/>
Net cash used by investing activities	-
Cash Flows from Financing Activities:	
PPP loan	\$ 26,250
	<hr/>
Net cash used by financing activities	26,250
	<hr/>
Change in cash	153,840
	<hr/>
Cash and restricted cash at beginning of year	125,569
	<hr/>
Cash and restricted cash at end of year	\$ 279,409
	<hr/> <hr/>
Reconciliation of cash and restricted cash reported within the statement of financial position to the state of cash flows:	
Cash	\$ 150,022
Cash restricted for construction	114,149
	<hr/>
Total cash and restricted cash shown in the statement of cash flows	\$ 264,171
	<hr/> <hr/>
Noncash investing activities:	
There were no Noncash investing activities	

The accompanying notes are an integral part of the financial statements

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, 2020, the Foundation has \$14,171 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, payroll and office expenses which are allocated based on 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, 2020. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken while 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, 2020, 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 amount 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, 2020. 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, 2020. 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, 2020 were restated as a result of prepaid expenses record for \$2,500 more than actual and there was a \$238 write-off for old un-cleared checks. The restatement resulted in a decrease to net assets without donor in the amount of \$2,738. The restatement reduced total net assets by that amount.

4. Property and Equipment

Property and equipment consist of the following at December 31, 2020:

Land	\$ 64,850
Construction in progress	46,523
Furniture and equipment	<u>15,067</u>
	<u>\$ 126,440</u>

Treasured Vessels Foundation
Notes to Financial Statements

5. In-Kind Contributions

During the year ended December 31, 2020, the Foundation received in-kind contributions as follows:

Goods and Services	\$	5,243
Special Events		<u>29,045</u>
	\$	34,288

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 \$114,149 at December 31, 2020 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 \$206,446 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 \$206,446.

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 May 25, 2021 the date the financial statements were available to be issued and concluded that no additional disclosures are required.