

Audited Financial Statements  
OF  
TREASURED VESSELS FOUNDATION  
As of December 31, 2021

# TREASURED VESSELS FOUNDATION

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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, 2021, 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, 2021, 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.

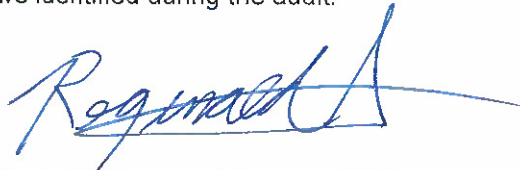
In performing an audit in accordance with generally accepted auditing standards, we:

- 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

February 3, 2023

**Treasured Vessels Foundation**  
**Statement of Financial Position**  
**December 31, 2021**

<b>Assets</b>	
<b>Current assets</b>	
Cash	\$ 206,934
Cash restricted for construction	107,902
Contributions promised	-
Prepaid expenses	2,500
<b>Total current assets</b>	<b>\$ 317,336</b>
<b>Property plant and equipment</b>	
Land	111,725
New Home	273,376
Construction in progress	46,523
Furniture & Equipment	18,067
Less Accumulated Depreciation	(8,045)
<b>Total Assets</b>	<b>\$ 758,982</b>
<b>Liabilities and Net Assets</b>	
<b>Current liabilities</b>	
Accounts payable	\$ -
Payroll taxes payable	5,545
PPP loan payable	26,250
<b>Total current liabilities</b>	31,795
<b>Long-term liabilities</b>	
Notes payable	233,681
<b>Total Long-term liabilities</b>	233,681
<b>Total Liabilities</b>	<b>\$ 265,476</b>
<b>Net Assets:</b>	
Without donor restriction	379,357
With donor restriction	114,149
<b>Total net assets</b>	493,506
<b>Total Liabilities and Net Assets</b>	<b>\$ 758,982</b>

The accompanying notes are an integral part of the financial statements

**Treasured Vessels Foundation**  
**Statement of Activities**  
**December 31, 2021**

	Without donor restrictions	With donor restrictions	Totals
<b>Support and revenue:</b>			
Contributions	\$ 394,602	\$ 107,900	\$ 502,502
In-kind contributions	105,529	-	105,529
Special event, net of direct costs of \$35,146	110,596	-	110,596
Other income	6	-	6
<b>Total revenue and support before releases</b>	<b>\$ 610,733</b>	<b>\$ 107,900</b>	<b>\$ 718,633</b>
<b>Net assets released from restrictions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total revenue and support</b>	<b>\$ 610,733</b>	<b>\$ 107,900</b>	<b>\$ 718,633</b>
<b>Expenses:</b>			
Program	\$ 333,470	-	\$ 333,470
Administrative	195,948	-	195,948
Fundraising	63,617	-	63,617
<b>Total Expenses</b>	<b>\$ 593,035</b>	<b>\$ -</b>	<b>\$ 593,035</b>
<b>Change in net assets</b>	<b>17,698</b>	<b>107,900</b>	<b>125,598</b>
<b>Net assets, beginning of the year</b>	<b>253,759</b>	<b>\$ 114,149</b>	<b>367,908</b>
<b>Net assets, end of the year</b>	<b>\$ 271,457</b>	<b>\$ 222,049</b>	<b>\$ 493,506</b>

The accompanying notes are an integral part of the financial statements

**Treasured Vessels Foundation  
Statement of Functional Expenses  
Year Ended December 31, 2021**

	Program	Administrative Expense	Fundraising Expense	Total
Contracted services	\$ 110,684	\$ 27,970	\$ 19,722	\$ 158,375
Depreciation expense	4,022			4,022
Dues & membership		366		366
Education & training	1,745	425		2,170
In-kind donation	49,655	55,874		105,529
Insurance	1,820	10,901		12,721
Interest expense	8,542			8,542
Meals	4,082			4,082
Miscellaneous		38		38
Occupancy	5,000			5,000
Office				-
Outside Services	8,994		2,044	11,038
Public awareness	4,332			4,332
Payroll taxes	7,600	10,297		17,897
Repair & Maintenance	11,623			11,623
Salaries/wages	89,649	82,207	41,851	213,707
Special events			35,146	35,146
Storage	1,928			1,928
Supplies	11,086	2,688		13,774
Transaction fees		2,716		2,716
Travel and meetings	2,305			2,305
Utilities	10,402			10,402
Website		2,466		2,466
<b>Total</b>	<b>333,470</b>	<b>195,948</b>	<b>98,763</b>	<b>628,181</b>
Less expenses included in revenue of the statement of activities				
Direct costs of special events	-	-	(35,146)	(35,146)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 333,470</b>	<b>\$ 195,948</b>	<b>\$ 63,617</b>	<b>\$ 593,035</b>

**Treasured Vessels Foundation**  
**Statement of Cash Flows**  
**December 31, 2021**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 125,598
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	4,022
Changes in assets and liabilities:	
Contributions promised	13,792
Accounts payable	(2,769)
Payroll taxes payable	(3,409)
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<b>Net cash provided by operating activities</b>	<b>137,235</b>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(320,251)
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<b>Net cash used by investing activities</b>	<b>(320,251)</b>
<b>Cash Flows from Financing Activities:</b>	
PPP loan	\$ -
Mortgage Loan	233,681
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	233,681
<b>Net cash used by financing activities</b>	<b>\$ 233,681</b>
<b>Change in cash</b>	<b>50,665</b>
<b>Cash and restricted cash at beginning of year</b>	<b>264,171</b>
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<b>Cash and restricted cash at end of year</b>	<b>\$ 314,836</b>
	<hr/> <hr/>
<b>Reconciliation of cash and restricted cash reported within the statement of financial position to the state of cash flows:</b>	
Cash	\$ 206,934
Cash restricted for construction	107,902
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<b>Total cash and restricted cash shown in the statement of cash flows</b>	<b>\$ 314,836</b>
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**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

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### 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. 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

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#### ***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, 2021, the Foundation has \$64,836 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 eighteen to twenty four years old 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

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#### ***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, 2021. 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, 2021, 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

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#### **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, 2021. 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, 2021. This ASU requires that the statement of cash flows explain the change during the year in total of cash, cash equivalents, and amounts 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, 2021, were restated as a result of depreciation expense not record for \$1,022. The restatement resulted in a decrease to net assets without donor in the amount of \$1,022. The restatement reduced total net assets by that amount.

#### **4. Property and Equipment**

Property and equipment consist of the following at December 31, 2021:

Land	\$	111,725
House		273,375
Construction in progress		46,523
Furniture and equipment		<u>10,023</u>
	\$	<u>441,646</u>

**Treasured Vessels Foundation**  
**Notes to Financial Statements**

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**5. In-Kind Contributions**

During the year ended December 31, 2021, the Foundation received in-kind contributions as follows:

Goods and Services	\$ 55,874
Special Events	<u>49,655</u>
	\$105,529

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, 2021, 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 \$206,934 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 \$206,934.

**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 monetary impact to the Foundation, if any, cannot be determined at this time.

The Foundation evaluated subsequent events February 3, 2023, the date the financial statements were available to be issued and concluded that no additional disclosures are required.