

DRAFT

THE FOUNDATION UNITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(With Independent Auditors' Report)

THE FOUNDATION UNITED

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Foundation United
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of The Foundation United, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses 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 The Foundation United as of December 31, 2023, 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 The Foundation United 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 the organization'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 as a whole 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 the organization'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 the organization'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.

ICL, LLC
Chicago, IL

THE FOUNDATION UNITED

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

ASSETS

Current Asset

Cash and cash equivalents	\$ 240,475
Investments	417,585
Accounts receivable	47,083
Total current assets	<u>705,143</u>

Property and Equipment

Furniture and equipment	4,265
Less: accumulated depreciation	<u>(1,278)</u>
Property and equipment, net	<u>2,987</u>

Total assets \$ 708,130

LIABILITIES AND NET ASSETS

Liabilities:

Accrued liabilities \$ 103,530

Total liabilities 103,530

Net Assets:

Net assets without donor restrictions 604,600

Net assets with donor restrictions -

Total net assets 604,600

Total liabilities and net assets \$ 708,130

See accompanying notes to the financial statements.

THE FOUNDATION UNITED

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Foundation contributions	\$ 209,664		\$ 209,664
Corporate contributions	5,370		5,370
Individual contributions	699,898		699,898
Program income	15,713		15,713
Net assets released from restrictions	-		-
Total Revenue and Support	<u>930,645</u>	<u>-</u>	<u>930,645</u>
EXPENSES:			
Program services	1,664,886	-	1,664,886
Supporting services:			
Management and general	101,537	-	101,537
Fundraising	64,073	-	64,073
Total Expenses	<u>1,830,496</u>	<u>-</u>	<u>1,830,496</u>
OTHER REVENUE:			
Interest and dividends	32,281	-	32,281
Unrealized gain on investments	527	-	527
Total Other Revenue	<u>32,808</u>	<u>-</u>	<u>32,808</u>
CHANGE IN NET ASSETS	(867,043)	-	(867,043)
NET ASSETS, BEGINNING OF YEAR	<u>1,471,643</u>	<u>-</u>	<u>1,471,643</u>
NET ASSETS, END OF YEAR	<u>\$ 604,600</u>	<u>\$ -</u>	<u>\$ 604,600</u>

See accompanying notes to the financial statements.

THE FOUNDATION UNITED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and wages	\$ 236,699	\$ 46,985	\$ -	\$ 283,684
Payroll taxes	19,313	-	-	19,313
Contract services	626,486	905	-	627,391
Education and collaborative events	606,798	-	64,073	670,870
Grants to other nonprofits	21,413	-	-	21,413
Facilities and equipment	-	10,235	-	10,235
Information technology	-	11,298	-	11,298
Supplies and office expenses	1,498	11,888	-	13,386
Cultivation and stewardship	521	-	-	521
Insurance	-	11,567	-	11,567
Public relations, marketing and advertising	31,701	-	-	31,701
Bank charges and credit card fees	-	444	-	444
Dues and subscriptions	1,366	7,364	-	8,730
Travel and reimbursements	119,091	-	-	119,091
Depreciation	-	852	-	852
Total expenses	<u>\$ 1,664,886</u>	<u>\$ 101,537</u>	<u>\$ 64,073</u>	<u>\$ 1,830,496</u>

See accompanying notes to the financial statements.

THE FOUNDATION UNITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities:

Change in net assets	\$ (867,043)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	852
Change in assets and liabilities:	
Pledges receivable	(30,996)
Prepaid expenses and deposits	161,104
Accrued liabilities	85,345
Net cash used in operating activities	<u>(650,738)</u>

Cash Flows From Investing Activities:

Sale of investments	<u>635,564</u>
Net cash provided by investing activities	<u>635,564</u>

Cash Flows From Financing Activities:

	<u>-</u>
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Net decrease in cash and cash equivalents (15,174)

Cash and cash equivalents, Beginning of Year 255,649

Cash and cash equivalents, End of Year \$ 240,475

See accompanying notes to the financial statements.

THE FOUNDATION UNITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

NOTE 1 – NATURE OF ORGANIZATION

The Foundation United (“Foundation”), is an Illinois nonprofit corporation that was founded in 2018. The Foundation’s (formally Selah Way Foundation), name was changed in September 2021. The Foundation offers care for sex trafficking survivors. It is a global network of anti-sex trafficking service providers dedicated to eradicating this problem globally through three major initiatives: Prevention, Protection, and Provision.

- Prevention educates and empowers children and interveners through customized, cutting-edge curriculums so that they can recognize signs of exploitation and discover the power of their voice to speak out against abuse.
- Protection trains first responders and medical professionals, in partnership with the Global Strategic Operatives Unit and former law enforcement officers. These experts train professionals working with individuals at-risk for and involved in exploitation on how to protect victims and take action against predators.
- Provision provides a safe haven for survivors of sexual exploitation to heal from trauma and receive restorative services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements of Foundation have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles.

Accounting Policies

The Foundation follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. Reference to Generally Accepted Accounting Principles (GAAP) in these footnotes is to the *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

THE FOUNDATION UNITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Statement Presentation

The Foundation presents financial information pursuant to FASB Accounting Standards Codification *Not-for-Profit Entities: Presentation of Financial Statements (Subtopic 205)*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified into distinct net asset categories according to externally (donor) imposed restrictions. In addition, the Foundation is required to present a statement of cash flows.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions are net assets without donor restrictions. These assets include the revenues and expenses of the primary operations of the Foundation. Donor restricted contributions and grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grant-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include checking and savings accounts.

Revenue Recognition - Grants

All contributions are considered to be available for unrestricted use unless specified by the donor. Contributions are recognized as revenues when the contributions are awarded. Revenue from grants is considered earned when it is expended in accordance with the agreement.

THE FOUNDATION UNITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers

The Foundation recognizes revenue from awareness and education programs about sex trafficking through fee for service and training workshops. The performance obligation of delivering the workshop programs are simultaneously received and consumed by the program participants; therefore, the revenue is recognized upon attendance of each program. Payment for workshop fees are required before the start of each seminar.

Accounts Receivable

Accounts receivable are reported at their discounted value reduced by the allowance for doubtful accounts, if any. Based on a review of outstanding receivables, management determined that an allowance for doubtful accounts was not necessary at December 31, 2023.

Property and Equipment

Property and equipment are recorded at cost. Additions and improvements to existing property and equipment and leasehold improvements over \$1,000 during the year are capitalized, while general maintenance and repairs are charged to expense. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets as follows:

- Computer equipment – 3 years
- Office Furniture – 5 years

Depreciation expense was \$852 for the year-ended December 31, 2023.

Investments

The Foundation invests in various marketable securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair value in the statement of financial position. Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the statements of activities. Investments received as contributions are recorded at fair value at the date of receipt. The Foundation's investment portfolio is subject to various risks, such as interest rate, credit, and overall market volatility. Because of these risks, it is possible that change in the fair value of investments may occur and that such changes could materially affect the Foundation's financial statements.

THE FOUNDATION UNITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

The Foundation is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance the Foundation may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to potential sources of unrelated business taxable income. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting period presented in the financial statements. As of and for the year ended December 31, 2023 management has determined that there are no uncertain tax positions. The Foundation files Form 990 in the U.S. federal jurisdiction and the State of Illinois.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, investments, accrued liabilities approximate fair value because of the short-term maturity of these financial instruments.

THE FOUNDATION UNITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing program services have been summarized on a functional basis in the statement of activities. Expenses that can be identified with program expenses are allocated directly according to their natural classification. Accordingly, certain costs have been allocated between the program and supporting services benefited as follows:

<u>Expenses</u>	<u>Method of Allocation</u>
Salary and benefits	Time and effort
Professional services	Time and effort

Subsequent Events

The Foundation has evaluated subsequent events for potential recognition and/or disclosures through November 4, 2024, the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash checking accounts, which from time to time may exceed the federally insured limits of \$250,000. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant risk on cash and cash equivalents.

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

Pursuant to FASB Accounting Standards Codification “*Fair Value Measurements and Disclosures (Topic 820)*”, the Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.

THE FOUNDATION UNITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES - Continued

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.
- Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents financial instruments that are measured at fair value on a recurring basis and are subject to disclosure requirements of ASC 821-10 as of December 31, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Money market funds	\$ 417,585	\$ -	\$ -	\$ -
Total	\$ 417,585	\$ -	\$ -	\$ -
LIABILITIES	\$ -	\$ -	\$ -	\$ -

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

- Short-term investments – The fair value of short-term investments, consisting of money market funds, is classified as Level 1.

NOTE 5 – INVESTMENTS

Investments, stated at fair value, at December 31, 2023 consists of money market funds (\$417,585). Investment returns, consisting of interest and dividend income (\$32,281) is reported on the statement of activities.

THE FOUNDATION UNITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

NOTE 6 – IN-KIND CONTRIBUTIONS

The Foundation is also the recipient of a variety of donated materials and services by volunteers for fundraising events and other activities; however the value of these goods and services are not measurable.

NOTE 7 – PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits represent amount paid in advance for services related to special events that will occur during fiscal 2023.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

There were no net assets with donor restrictions released into operations during 2023 for fulfilling donor specified purposes.

NOTE 9 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting use, within one year as of December 31, 2023 are:

Financial assets:	
Cash and cash equivalents	\$ 240,475
Investments	417,585
Total financial assets	<u>658,060</u>
Less: financial assets held to meet donor-imposed restrictions	-
Amount available for general expenditures within one year	<u><u>\$ 658,060</u></u>