



The Exodus Road

EMPOWERING RESCUE

Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

THE EXODUS ROAD

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Exodus Road
Colorado Springs, Colorado

We have audited the accompanying financial statements of The Exodus Road, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; 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 fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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.

Board of Directors
The Exodus Road
Colorado Springs, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Exodus Road as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
July 30, 2018

THE EXODUS ROAD

Statements of Financial Position

	December 31,	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash	\$ 508,087	\$ 135,774
Investments	10,379	-
Inventory	7,679	7,679
Equipment–net	<u>91,104</u>	<u>65,858</u>
Total Assets	<u>\$ 617,249</u>	<u>\$ 209,311</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accrued expenses	<u>\$ 67,187</u>	<u>\$ 32,365</u>
Net assets:		
Unrestricted	370,251	81,023
Net assets in fixed assets	<u>91,104</u>	<u>65,858</u>
	461,355	146,881
Temporarily restricted	<u>88,707</u>	<u>30,065</u>
	<u>550,062</u>	<u>176,946</u>
Total Liabilities and Net Assets	<u>\$ 617,249</u>	<u>\$ 209,311</u>

See notes to financial statements

THE EXODUS ROAD

Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Contributions	\$ 1,744,249	\$ 263,554	\$ 2,007,803	\$ 841,959	\$ 580,851	\$ 1,422,810
Gifts-in-kind	280,221	-	280,221	379,621	-	379,621
Sales and other income	100,424	-	100,424	13,244	-	13,244
Total Revenue and Support	2,124,894	263,554	2,388,448	1,234,824	580,851	1,815,675
NET ASSETS RELEASED:						
Purpose restrictions	160,135	(160,135)	-	670,683	(670,683)	-
Administrative assessments	44,777	(44,777)	-	13,744	(13,744)	-
EXPENSES:						
Program services	1,586,525	-	1,586,525	1,484,218	-	1,484,218
Supporting activities:						
General and administrative	103,075	-	103,075	180,740	-	180,740
Fund-raising	325,732	-	325,732	203,669	-	203,669
	428,807	-	428,807	384,409	-	384,409
Total Expenses	2,015,332	-	2,015,332	1,868,627	-	1,868,627
Change in Net Assets	314,474	58,642	373,116	50,624	(103,576)	(52,952)
Net Assets, Beginning of Year	146,881	30,065	176,946	96,257	133,641	229,898
Net Assets, End of Year	\$ 461,355	\$ 88,707	\$ 550,062	\$ 146,881	\$ 30,065	\$ 176,946

See notes to financial statements

THE EXODUS ROAD

Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 373,116	\$ (52,952)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	29,202	21,115
Gift-in-kind addition to equipment	(45,000)	-
Donated stock	(9,221)	-
Net realized gain on investments	(1,158)	-
Changes in operating assets and liabilities:		
Inventory	-	1,872
Prepaid expenses	-	2,000
Accrued expenses and other liabilities	34,822	8,142
Net Cash Provided (Used) by Operating Activities	<u>381,761</u>	<u>(19,823)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(9,448)	(5,871)
Net Cash Used by Investing Activities	<u>(9,448)</u>	<u>(5,871)</u>
Change in Cash	372,313	(25,694)
Cash, Beginning of Year	<u>135,774</u>	<u>161,468</u>
Cash, End of Year	<u>\$ 508,087</u>	<u>\$ 135,774</u>

See notes to financial statements

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Notes to Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

The Exodus Road (Exodus) exists in order to empower the deliverance of sex slaves. They operate primarily in Southeast Asia and the United States of America to fuel already existing teams working with local police. By partnering with them to provide covert gear, operational funding, training, and networking support, they have been able to free hundreds of victims from slavery.

Exodus is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, Exodus is subject to federal income tax on any unrelated business taxable income. In addition, Exodus is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

Exodus maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH

Cash consists of a checking and savings accounts as well as petty cash. At December 31, 2017 and 2016, Exodus' cash balances exceeded federally insured limits by approximately \$180,000 and \$0, respectively. Exodus has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

EQUIPMENT—NET

Exodus capitalizes fixed asset purchases and gift-in-kind donations exceeding \$1,000 and expenses lesser amounts in the year purchased. Purchases are recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of three to seven years.

Exodus updated its capitalization policy to \$1,000 from \$3,000 during the year ended December, 31, 2017. All equipment above \$1,000 was therefore capitalized during the year. This is a change in accounting policy. The effect of this change on the financial statements as of December 31, 2016 is considered to be immaterial, and therefore no amounts were restated during that fiscal year.

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Notes to Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets as follows:

Unrestricted net assets are those currently available to support Exodus' operations and those resources invested in property and equipment.

Temporarily restricted net assets are comprised of donor-restricted contributions for the support of Exodus' projects.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

GIFTS-IN-KIND

Gifts-in-kind are recognized as support and revenue. Contributed services are recognized at their estimated fair value only when they create or enhance non-financial assets or require specialized skills by the individual providing the service and the service would typically need to be purchased if not donated. Exodus received donated skilled services which have been recorded at a combined estimated fair value of \$224,842 and \$239,621 for the years ended December 31, 2017 and 2016, respectively. Donated goods and equipment are recognized at their estimated fair market value at the date of the gift, and are valued at \$45,000 and \$140,000 for the years ended December 31, 2017 and 2016, respectively. During the year ended December 2017, Exodus also received three gifts of donated investments at their estimated fair market value at the date of the gifts, totaling \$30,197.

ALLOCATION OF EXPENSES

The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, have been allocated among the program services and supporting activities benefited.

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Notes to Financial Statements

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3. EQUIPMENT–NET:

Equipment–net consists of:

	December 31,	
	2017	2016
Surveillance equipment	\$ 106,900	\$ 61,900
Database and website	29,898	20,450
Vehicle	20,369	20,369
Equipment/software	5,870	5,870
Accumulated depreciation	(71,933)	(42,731)
	\$ 91,104	\$ 65,858

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2017	2016
Charlie	\$ 51,816	\$ -
Traffick Watch	15,000	-
Victim Advocacy	8,800	13,800
Covert equipment	7,871	7,803
Deployments	5,220	-
Other	-	5,225
Fund a Rescue or Raid	-	3,237
	\$ 88,707	\$ 30,065

5. OPERATING LEASE:

Exodus has a non-cancellable operating lease for office space in Colorado Springs as well as a copier lease, both of which expire in July, 2019. Lease expense for the years ended December 31, 2017 and 2016 was \$33,629 and \$37,208, respectively. Future minimum payments required under non-cancellable operating leases are:

<u>Year ending December 31,</u>	
2018	\$ 35,657
2019	21,198
	\$ 56,855

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Notes to Financial Statements

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6. RELATED PARTIES:

During the years ended December 31, 2017 and 2016, Exodus granted funds to an organization in which Exodus' President serves as the Chair of the Board of Directors. This organization is helping Exodus fulfill its global mission. Total funds granted during the years ended December 31, 2017 and 2016 were \$208,292 and \$175,605, respectively.

7. SUPPORT AND REVENUE CONCENTRATION:

During the years ended December 31, 2017 and 2016, Exodus received contributions from one donor that totaled \$300,000 and \$250,000, respectively. These gifts accounted for approximately 12% and 14% of total revenue and support for the years ended December 31, 2017 and 2016, respectively.

8. SUBSEQUENT EVENTS:

Subsequent events were evaluated through July 30, 2018, which is the date the financial statements were available to be issued.