



The Exodus Road

EMPOWERING RESCUE

FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2015 and 2014

THE EXODUS ROAD

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6

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, 2015 and 2014, 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, 2015 and 2014, 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.

Prior Period Adjustment

As described in Note 8 to the financial statements, The Exodus Road identified adjustments pertaining to certain amounts reported as temporarily restricted net assets as of December 31, 2014 that should have been released into unrestricted net assets. Accordingly, the 2014 financial statements now presented have been restated and closing net asset balances as of December 31, 2014 have been adjusted to correct these errors. Our opinion is not modified with respect to that matter.

Capin Crouse LLP

Colorado Springs, Colorado
July 8, 2016

THE EXODUS ROAD

Statements of Financial Position

	December 31,	
	<u>2015</u>	<u>2014, restated</u>
ASSETS:		
Cash	\$ 161,468	\$ 138,909
Accounts receivable	-	2,933
Inventory	9,551	2,514
Prepaid expenses	2,000	2,000
Equipment–net	<u>81,102</u>	<u>55,710</u>
Total Assets	<u>\$ 254,121</u>	<u>\$ 202,066</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accrued expenses	<u>\$ 24,223</u>	<u>\$ 21,225</u>
Net assets:		
Unrestricted	15,155	31,632
Net assets in fixed assets	<u>81,102</u>	<u>55,710</u>
	96,257	87,342
Temporarily restricted	<u>133,641</u>	<u>93,499</u>
	<u>229,898</u>	<u>180,841</u>
Total Liabilities and Net Assets	<u>\$ 254,121</u>	<u>\$ 202,066</u>

See notes to financial statements

THE EXODUS ROAD

Statements of Activities

	Year Ended December 31,					
	2015			2014, restated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Contributions	\$ 745,260	\$ 451,461	\$ 1,196,721	\$ 413,062	\$ 425,124	\$ 838,186
Gifts-in-kind	102,267	-	102,267	191,340	-	191,340
Sales and other income	2,689	-	2,689	1,744	-	1,744
Total Revenue and Support	850,216	451,461	1,301,677	606,146	425,124	1,031,270
NET ASSETS RELEASED:						
Purpose restrictions	411,319	(411,319)	-	331,625	(331,625)	-
EXPENSES:						
Program services	1,036,155	-	1,036,155	642,968	-	642,968
Supporting activities:						
General and administrative	138,635	-	138,635	101,968	-	101,968
Fund-raising	77,830	-	77,830	157,295	-	157,295
	216,465	-	216,465	259,263	-	259,263
Total Expenses	1,252,620	-	1,252,620	902,231	-	902,231
Change in Net Assets	8,915	40,142	49,057	35,540	93,499	129,039
Net Assets, Beginning of Year	87,342	93,499	180,841	51,802	-	51,802
Net Assets, End of Year	\$ 96,257	\$ 133,641	\$ 229,898	\$ 87,342	\$ 93,499	\$ 180,841

See notes to financial statements

THE EXODUS ROAD

Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 49,057	\$ 129,039
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,426	6,190
Donated equipment	(40,818)	(61,900)
Changes in operating assets and liabilities:		
Accounts receivable	2,933	(2,933)
Inventory	(7,037)	1,485
Prepaid expenses	-	(800)
Accrued expenses and other liabilities	2,998	8,683
Net Cash Provided by Operating Activities	<u>22,559</u>	<u>79,764</u>
Change in Cash	22,559	79,764
Cash, Beginning of Year	<u>138,909</u>	<u>59,145</u>
Cash, End of Year	<u>\$ 161,468</u>	<u>\$ 138,909</u>

See notes to financial statements

THE EXODUS ROAD

Notes to Financial Statements

December 31, 2015 and 2014

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 not-for-profit organization incorporated in the State of Colorado, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation under Section 509(a) of the Code.

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 account and petty cash. The account, at times, may exceed federally insured limits. Exodus has not experienced any losses on the account and believes it is not exposed to any significant credit risk.

EQUIPMENT–NET

Exodus capitalizes fixed asset purchases and gift-in-kind donations exceeding \$3,000 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 five years for equipment.

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.

THE EXODUS ROAD

Notes to Financial Statements

December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 \$96,213 and \$74,000 for the years ended December 31, 2015 and 2014, respectively. Donated goods and equipment are recognized at their estimated fair market value at the date of the gift, and are valued at \$6,054 and \$117,340 for the years ended December 31, 2015 and 2014, respectively.

ALLOCATION OF EXPENSES

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

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2015, Exodus had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Exodus is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

THE EXODUS ROAD

Notes to Financial Statements

December 31, 2015 and 2014

3. EQUIPMENT–NET:

Equipment–net consists of:

	December 31,	
	2015	2014
Surveillance equipment	\$ 61,900	\$ 61,900
Database and website	20,450	-
Vehicle	20,368	-
Accumulated depreciation	(21,616)	(6,190)
	<u>\$ 81,102</u>	<u>\$ 55,710</u>

4. OPERATING LEASE:

Exodus has a non-cancellable operating lease for office space in Colorado Springs, expiring in July 2016, and two leases for software, expiring October 2015. Lease expenses for the years ended December 31, 2015 and 2014 were \$15,636 and \$10,000, respectively. Future minimum payments for the year ending December 31, 2016 total \$22,182.

5. RELATED PARTIES:

During the years ended December 31, 2015 and 2014, Exodus granted funds to an organization in which Exodus' President serves on the organization's Board. This organization is helping Exodus fulfill its global mission. Total funds granted during the years ended December 31, 2015 and 2014 were \$247,965 and \$147,890, respectively.

6. SUPPORT AND REVENUE CONCENTRATION:

During the years ended December 31, 2015 and 2014, Exodus received contributions from one donor that totaled \$133,200 and \$154,500, respectively. These gifts accounted for approximately 10% and 15% of total revenue and support for the years ended December 31, 2015 and 2014, respectively.

7. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

THE EXODUS ROAD

Notes to Financial Statements

December 31, 2015 and 2014

8. PRIOR PERIOD ADJUSTMENT:

During the year ended December 31, 2015, management determined that certain amounts reported as temporarily restricted net assets as of December 31, 2014 should have been released into unrestricted net assets. As a result, the 2014 financial statements have been restated to properly reflect these amounts. The impact of this restatement on the financial statements is as follows:

	<u>As Previously Stated</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Unrestricted net assets as of December 31, 2014	\$ 57,473	\$ 29,869	\$ 87,342
Temporarily restricted net assets as of December 31, 2014	\$ 123,368	\$ (29,869)	\$ 93,499
Net assets released by satisfaction of purpose restrictions for the year ended December 31, 2014	\$ 301,756	\$ 29,869	\$ 331,625
Change in unrestricted net assets for the year ended December 31, 2014	\$ 5,671	\$ 29,869	\$ 35,540
Change in temporarily restricted net assets for the year ended December 31, 2014	\$ 123,368	\$ (29,869)	\$ 93,499