



The Exodus Road

EMPOWERING RESCUE

Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017

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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, 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.

Emphasis of Matter

The Exodus Road has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements. Our opinion is not modified with respect to this matter.

Capin Crause LLP

Colorado Springs, Colorado
July 2, 2019

THE EXODUS ROAD

Statements of Financial Position

	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash	\$ 543,094	\$ 508,087
Investments	25,808	10,379
Prepaid expenses	40,323	-
Inventory	3,977	7,679
Equipment–net	<u>61,692</u>	<u>91,104</u>
Total Assets	<u>\$ 674,894</u>	<u>\$ 617,249</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accrued expenses	<u>\$ 81,737</u>	<u>\$ 67,187</u>
Net assets:		
Without donor restrictions:		
Operating	426,727	370,251
Equity in property and equipment–net	<u>61,692</u>	<u>91,104</u>
	<u>488,419</u>	<u>461,355</u>
With donor restrictions	<u>104,738</u>	<u>88,707</u>
	<u>593,157</u>	<u>550,062</u>
Total Liabilities and Net Assets	<u>\$ 674,894</u>	<u>\$ 617,249</u>

See notes to financial statements

THE EXODUS ROAD

Statements of Activities

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Contributions	\$ 2,117,298	\$ 253,390	\$ 2,370,688	\$ 1,744,249	\$ 263,554	\$ 2,007,803
Gifts-in-kind	256,480	-	256,480	280,221	-	280,221
Sales and other income	71,890	-	71,890	100,424	-	100,424
Total Revenue and Support	2,445,668	253,390	2,699,058	2,124,894	263,554	2,388,448
NET ASSETS RELEASED:						
Purpose restrictions	186,681	(186,681)	-	160,135	(160,135)	-
Administrative assessments	50,678	(50,678)	-	44,777	(44,777)	-
EXPENSES:						
Program services	2,057,967	-	2,057,967	1,586,531	-	1,586,531
Supporting activities:						
General and administrative	214,278	-	214,278	103,075	-	103,075
Fund-raising	383,717	-	383,717	325,726	-	325,726
	597,996	-	597,996	428,801	-	428,801
Total Expenses	2,655,963	-	2,655,963	2,015,332	-	2,015,332
Change in Net Assets	27,064	16,031	43,095	314,474	58,642	373,116
Net Assets, Beginning of Year	461,355	88,707	550,062	146,881	30,065	176,946
Net Assets, End of Year	\$ 488,419	\$ 104,738	\$ 593,157	\$ 461,355	\$ 88,707	\$ 550,062

See notes to financial statements

THE EXODUS ROAD

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Activities	Supporting Activities:		Total
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 1,054,039	\$ 127,221	\$ 214,135	\$ 1,395,394
Global operations	347,156	-	-	347,156
Contracted and professional services	249,151	47,506	17,628	314,285
Travel and entertainment	92,979	4,655	19,298	116,932
Events and conferences	39,673	4,716	55,195	99,584
Services, supplies and other	39,627	10,481	36,208	86,316
Advertising, promotions, and donor relations	42,333	3,074	8,860	54,268
Facilities operation and maintenance	37,575	4,803	7,258	49,637
Employee benefits	33,902	4,264	6,716	44,881
Depreciation and amortization	38,339	1,571	2,018	41,927
Information technology	44,786	4,463	10,470	59,719
Occupancy, utilities and maintenance	14,007	1,525	2,456	17,988
Cost of goods sold	13,901	-	3,475	17,376
Grants to others	10,500	-	-	10,500
	\$ 2,057,967	\$ 214,278	\$ 383,717	\$ 2,655,963

See notes to financial statements

THE EXODUS ROAD

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Activities	Supporting Activities:		Total
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 697,990	\$ 55,130	\$ 171,761	\$ 924,881
Global operations	363,534	-	-	363,534
Contracted and professional services	224,559	23,958	23,183	271,700
Travel and entertainment	86,035	-	4,528	90,563
Events and conferences	10,233		42,860	53,093
Services, supplies and other	25,320	8,275	36,566	70,161
Advertising, promotions, and donor relations	34,032	948	14,226	49,206
Facilities operation and maintenance	40,273	6,856	3,687	50,816
Employee benefits	44,460	3,511	10,935	58,906
Depreciation and amortization	26,282	1,460	1,460	29,202
Information technology	21,255	1,298	15,117	37,670
Occupancy, utilities and maintenance	8,741	1,639	546	10,926
Cost of goods sold	3,427	-	857	4,284
Grants to others	390	-	-	390
	\$ 1,586,531	\$ 103,075	\$ 325,726	\$ 2,015,332

See notes to financial statements

THE EXODUS ROAD

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,095	\$ 373,116
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	41,927	29,202
Gift-in-kind addition to equipment	-	(45,000)
Donated stock	(25,572)	(9,221)
Net realized gain on investments	(1,024)	(1,158)
Changes in operating assets and liabilities:		
Inventory	3,702	-
Prepaid expenses	(40,323)	-
Accrued expenses and other liabilities	14,550	34,822
Net Cash Provided by Operating Activities	<u>36,355</u>	<u>381,761</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	11,167	-
Purchases of equipment	(12,515)	(9,448)
Net Cash Used by Investing Activities	<u>(1,348)</u>	<u>(9,448)</u>
Change in Cash	35,007	372,313
Cash, Beginning of Year	<u>508,087</u>	<u>135,774</u>
Cash, End of Year	<u>\$ 543,094</u>	<u>\$ 508,087</u>

See notes to financial statements

THE EXODUS ROAD

Notes to Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION:

The Exodus Road (Exodus) exists in order to empower the deliverance of sex slaves. They operate primarily in Southeast Asia, Latin America 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. As of December 31, 2018 and 2017, Exodus has cash on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$145,000 and \$180,000, 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.

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Notes to Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

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

Net assets without donor restrictions are those currently available to support Exodus' operations and those resources invested in property and equipment.

Net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions 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 \$187,361 and \$224,842 for the years ended December 31, 2018 and 2017, respectively. Donated goods and equipment are recognized at their estimated fair market value at the date of the gift, and are valued at \$53,925 and \$45,000 for the years ended December 31, 2018 and 2017, respectively. During the years ended December 2018 and 2017, Exodus also received two gifts of donated investments at their estimated fair market value at the date of the gifts, totaling \$15,194 and \$10,379, respectively.

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. Salaries are allocated based off of the time and effort spent by each employee, and all other expenses are allocated based on the purpose of the expense. The main program activities of Exodus are supporting teams that perform investigations, and providing gear, funds and support to those teams that work to free victims from slavery.

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Notes to Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ADOPTION OF NEW ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Exodus adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and funds available (note 3), and new reporting and disclosures were added related to the functional allocation and natural classification of expenses (Statement of Functional Expense and note 2, above).

3. LIQUIDITY AND FUNDS AVAILABLE:

Exodus has approximately \$568,000 of financial assets available within one year of the statements of financial position date as of December 31, 2018. This amount consists of cash and cash equivalents and investments. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

Exodus structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through finance meetings and detailed financial analysis.

4. EQUIPMENT–NET:

Equipment–net consists of:

	December 31,	
	2018	2017
Surveillance equipment	\$ 111,215	\$ 106,900
Database and website	14,396	29,898
Vehicle	20,369	20,369
Software	23,518	5,870
	<u>(107,806)</u>	<u>(71,933)</u>
Less accumulated depreciation		
	<u>\$ 61,692</u>	<u>\$ 91,104</u>

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Notes to Financial Statements

December 31, 2018 and 2017

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2018	2017
Covert equipment	\$ 36,886	\$ 7,871
Charlie team investigator	24,000	-
Traffick Watch	15,000	15,000
Thailand social worker	10,232	-
Deployments	9,820	5,220
Victim Advocacy	8,800	8,800
Charlie team	-	51,816
	<u>\$ 104,738</u>	<u>\$ 88,707</u>

6. 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, 2018 and 2017 was \$35,657 and \$33,629, respectively. Future minimum payments required under non-cancellable operating leases total \$21,198.

7. RELATED PARTIES:

During the years ended December 31, 2018 and 2017, 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, 2018 and 2017 were \$451,392 and \$208,292, respectively.

8. SUPPORT AND REVENUE CONCENTRATION:

During the years ended December 31, 2018 and 2017, Exodus received contributions from one donor that totaled \$300,000 for both years. These gifts accounted for approximately 13% and 12% of total revenue and support for the years ended December 31, 2018 and 2017, respectively.

9. SUBSEQUENT EVENTS:

Subsequent events were evaluated through July 2, 2019, which is the date the financial statements were available to be issued.