



The Exodus Road

EMPOWERING RESCUE

THE EXODUS ROAD

Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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
September 16, 2020

THE EXODUS ROAD

Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash	\$ 258,273	\$ 543,094
Pledges receivable	65,774	-
Investments	15,438	25,808
Prepaid expenses	25,190	40,323
Inventory	9,875	3,977
Equipment and software—net	<u>37,481</u>	<u>61,692</u>
Total Assets	<u>\$ 412,031</u>	<u>\$ 674,894</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accrued expenses	<u>\$ 64,928</u>	<u>\$ 81,737</u>
Net assets:		
Without donor restrictions	296,976	488,419
With donor restrictions	<u>50,127</u>	<u>104,738</u>
	<u>347,103</u>	<u>593,157</u>
Total Liabilities and Net Assets	<u>\$ 412,031</u>	<u>\$ 674,894</u>

See notes to financial statements

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Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Contributions	\$ 1,448,014	\$ 442,222	\$ 1,890,236	\$ 2,004,304	\$ 253,390	\$ 2,257,694
Gifts-in-kind	184,215	-	184,215	256,480	-	256,480
Sales and other income	225,457	-	225,457	184,884	-	184,884
Total Revenue and Support	1,857,686	442,222	2,299,908	2,445,668	253,390	2,699,058
NET ASSETS RELEASED:						
Purpose restrictions	409,389	(409,389)	-	186,681	(186,681)	-
Administrative assessments	87,444	(87,444)	-	50,678	(50,678)	-
EXPENSES:						
Program services	1,921,928	-	1,921,928	2,044,067	-	2,044,067
Supporting activities:						
General and administrative	289,070	-	289,070	231,654	-	231,654
Fundraising	334,964	-	334,964	380,242	-	380,242
	624,034	-	624,034	611,896	-	611,896
Total Expenses	2,545,962	-	2,545,962	2,655,963	-	2,655,963
Change in Net Assets	(191,443)	(54,611)	(246,054)	27,064	16,031	43,095
Net Assets, Beginning of Year	488,419	104,738	593,157	461,355	88,707	550,062
Net Assets, End of Year	\$ 296,976	\$ 50,127	\$ 347,103	\$ 488,419	\$ 104,738	\$ 593,157

See notes to financial statements

THE EXODUS ROAD

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Activities	Supporting Activities:		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 805,398	\$ 128,238	\$ 125,686	\$ 1,059,322
Grants to others	522,280	-	-	522,280
Contracted and professional services	156,744	56,569	69,554	282,867
Global travel, equipment, and supplies	127,243	-	-	127,243
Services, supplies and other	56,392	27,013	42,524	125,929
Events and conferences	32,717	1,077	60,028	93,822
Information technology	50,658	28,151	7,715	86,524
Travel and entertainment	47,310	20,187	4,755	72,252
Facilities operation and maintenance	42,057	5,220	7,833	55,110
Employee benefits	32,563	4,979	4,843	42,385
Depreciation and amortization	21,823	959	1,199	23,981
Advertising, promotions, and donor relations	13,245	-	8,163	21,408
Occupancy, utilities and maintenance	13,498	1,598	2,664	17,760
Cost of goods sold	-	15,079	-	15,079
	\$ 1,921,928	\$ 289,070	\$ 334,964	\$ 2,545,962

See notes to financial statements

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Statement of Functional Expenses

Year Ended December 31, 2018

	Program Activities	Supporting Activities:		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 677,600	\$ 127,221	\$ 214,135	\$ 1,018,955
Grants to others	609,711	-	-	609,711
Contracted and professional services	249,151	47,506	17,628	314,285
Global travel, equipment, and supplies	124,384	-	-	124,384
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
Information technology	44,786	4,463	10,470	59,719
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
Occupancy, utilities and maintenance	14,007	1,525	2,456	17,988
Cost of goods sold	-	17,376	-	17,376
	\$ 2,044,067	\$ 231,654	\$ 380,242	\$ 2,655,963

See notes to financial statements

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Statements of Cash Flows

	Year Ended December 31,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (246,054)	\$ 43,095
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	23,981	41,927
Loss on disposal of equipment and software	39,279	-
Donated stock	(15,187)	(25,572)
Net realized gain on investments	(471)	(1,024)
Changes in operating assets and liabilities:		
Pledges receivable	(65,774)	-
Inventory	(5,898)	3,702
Prepaid expenses	15,133	(40,323)
Accrued expenses	(16,809)	14,550
Net Cash Provided (Used) by Operating Activities	<u>(271,800)</u>	<u>36,355</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	26,028	11,167
Purchases of equipment	(39,049)	(12,515)
Net Cash Used by Investing Activities	<u>(13,021)</u>	<u>(1,348)</u>
Change in Cash	(284,821)	35,007
Cash, Beginning of Year	<u>543,094</u>	<u>508,087</u>
Cash, End of Year	<u>\$ 258,273</u>	<u>\$ 543,094</u>

See notes to financial statements

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Notes to Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, Exodus has cash on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$0 and \$145,000, respectively. Exodus has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

PLEDGES RECEIVABLE

During the year ended December 31, 2019, several churches pledged donations to Exodus. These donations are without restrictions and no discount has been recorded. Management believes all amounts are collectible and therefore has not recorded an allowance for doubtful accounts or as of December 31, 2019.

EQUIPMENT AND SOFTWARE–NET

Exodus capitalizes equipment and software 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, 2019 and 2018

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 \$123,998 and \$187,361, for the years ended December 31, 2019 and 2018, 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 \$53,925, for the years ended December 31, 2019 and 2018, respectively. During the years ended December 2019 and 2018, Exodus also received gifts of donated investments at their estimated fair market value at the date of the gifts, totaling \$15,217 and \$15,194, 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, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ADOPTION OF NEW ACCOUNTING STANDARD

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Exodus adopted the provisions of this new standard during the year ended December 31, 2019. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard had no effect on change in net assets or net assets in total.

RECLASSIFICATIONS

Amounts were moved on the statement of functional expenses for the year ended December 31, 2019. In order to properly show grant expenses as a separate natural classification, \$376,439 was moved out of salaries and benefits, and \$222,722 was moved out of global travel, equipment, and supplies. The total of these amounts, \$599,211, was included within grants to others. In addition to this, for cost of goods sold, \$13,901 was moved out of program activities and \$3,475 was moved out of fundraising. The total of these amounts \$17,376, was moved to general and administrative.

3. LIQUIDITY AND FUNDS AVAILABLE:

Exodus has approximately \$339,485, of financial assets available within one year of the statements of financial position date as of December 31, 2019. This amount consists of cash and cash equivalents, pledges receivable, 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.

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Notes to Financial Statements

December 31, 2019 and 2018

4. EQUIPMENT AND SOFTWARE–NET:

Equipment and software–net consists of:

	December 31,	
	2019	2018
Software	\$ 31,851	\$ 23,518
Database and website	29,448	14,396
Surveillance equipment	2,497	111,215
Vehicle	20,368	20,369
	<u> </u>	<u> </u>
Less accumulated depreciation	(46,683)	(107,806)
	<u> </u>	<u> </u>
	<u>\$ 37,481</u>	<u>\$ 61,692</u>

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2019	2018
Covert equipment	\$ 50,127	\$ 36,886
Charlie team investigator	-	24,000
Traffick Watch	-	15,000
Thailand social worker	-	10,232
Deployments	-	9,820
Victim Advocacy	-	8,800
	<u> </u>	<u> </u>
	<u>\$ 50,127</u>	<u>\$ 104,738</u>

6. OPERATING LEASE:

Exodus has a non-cancellable operating lease for office space in Colorado Springs as well as a copier lease. The office space lease will expire in July 2020, and the copier lease will expire in July 2022. Lease expense for the years ended December 31, 2019 and 2018, was \$46,689 and \$35,657, respectively. Future minimum payments required under non-cancellable operating leases total \$24,295.

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Notes to Financial Statements

December 31, 2019 and 2018

7. RELATED PARTIES:

During the years ended December 31, 2019 and 2018, 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, 2019 and 2018, were \$661,953 and \$451,392, respectively.

8. SUPPORT AND REVENUE CONCENTRATION:

During the years ended December 31, 2019 and 2018, Exodus received contributions from one donor who is also a board member that totaled \$575,000 and \$300,000, respectively. These gifts accounted for approximately 25% and 11% of total revenue and support for the years ended December 31, 2019 and 2018, respectively.

9. SUBSEQUENT EVENTS:

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus as a "Public Health Emergency of International Concern," ultimately classifying the resulting COVID-19 as a pandemic. Federal, state and local governments have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home advisories and quarantining of people who may have been exposed to the virus.

The duration of disruption and related impact cannot be reasonably estimated at this time. The Exodus Road is monitoring donation income, program receipts and mission critical expenditures. Expenditures are being reduced as necessary. Management believes that The Exodus Road has sufficient reserves and liquidity to fund ongoing essential missions through this time of uncertainty. We believe the core mission of The Exodus Road will not change. We continue to Search and Rescue victims of human trafficking in collaboration with local law enforcement through the hands of the "ordinary".

On April 15, 2020, Exodus received a \$209,823 loan as a part of the Paycheck Protection Program from the US Small Business Administration. Exodus intends to use these funds to support payroll costs, for all staff with no reduction in personnel. The loan will mature in April 2022 and accrues interest at 1% with loan payments being deferred for six months. As part of this government program, this loan may be eligible for forgiveness. Exodus intends to apply for loan forgiveness when available.

Subsequent events were evaluated through September 16, 2020, which is the date the financial statements were available to be issued.