



The Exodus Road

EMPOWERING RESCUE

THE EXODUS ROAD

Financial Statements
With Independent Auditors' Report

December 31, 2021 and 2020

THE EXODUS ROAD

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Exodus Road
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of The Exodus Road, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Exodus Road as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Exodus Road and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Exodus Road's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
The Exodus Road
Colorado Springs, Colorado

Auditors' 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 auditors' 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 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 Exodus Road'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 Exodus Road'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.

Capin Crouse LLP

Colorado Springs, Colorado
April 26, 2022

THE EXODUS ROAD

Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Cash	\$ 858,459	\$ 687,986
Pledges receivable	130,300	57,498
Investments	30,973	-
Prepaid expenses	41,636	26,188
Inventory	-	2,500
Equipment and software–net	19,782	28,777
Total Assets	<u>\$ 1,081,150</u>	<u>\$ 802,949</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 43,780	\$ 38,826
Total liabilities	<u>43,780</u>	<u>38,826</u>
Net assets:		
Without donor restrictions	1,037,370	730,848
With donor restrictions	-	33,275
Total net assets	<u>1,037,370</u>	<u>764,123</u>
Total Liabilities and Net Assets	<u>\$ 1,081,150</u>	<u>\$ 802,949</u>

See notes to financial statements

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Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Contributions	\$ 2,335,230	\$ 736,682	\$ 3,071,912	\$ 1,879,523	\$ 686,014	\$ 2,565,537
Gifts-in-kind	877,946	-	877,946	563,778	-	563,778
Other income	77,747	-	77,747	35,471	-	35,471
Total Revenue and Support	3,290,923	736,682	4,027,605	2,478,772	686,014	3,164,786
NET ASSETS RELEASED:						
Purpose restrictions	769,957	(769,957)	-	702,866	(702,866)	-
EXPENSES:						
Program activities	2,992,810	-	2,992,810	2,261,657	-	2,261,657
Supporting activities:						
General and administrative	293,998	-	293,998	187,626	-	187,626
Fundraising	467,550	-	467,550	298,483	-	298,483
	761,548	-	761,548	486,109	-	486,109
Total Expenses	3,754,358	-	3,754,358	2,747,766	-	2,747,766
Change in Net Assets	306,522	(33,275)	273,247	433,872	(16,852)	417,020
Net Assets, Beginning of Year	730,848	33,275	764,123	296,976	50,127	347,103
Net Assets, End of Year	\$ 1,037,370	\$ -	\$ 1,037,370	\$ 730,848	\$ 33,275	\$ 764,123

See notes to financial statements

THE EXODUS ROAD

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Activities	Supporting Activities:		Total
		General and Administrative	Fundraising	
Salaries	\$ 899,246	\$ 202,250	\$ 264,669	\$ 1,366,165
Grants to others	677,044	-	-	677,044
Contracted and professional services	565,134	40,467	21,726	627,327
Global travel, equipment, and supplies	357,657	-	-	357,657
Advertising, promotions, and donor relations	210,733	1,438	48,973	261,144
Employee benefits	71,320	25,595	34,937	131,852
Facilities operation and maintenance	54,206	6,558	23,776	84,540
Services, supplies and other	37,444	8,499	29,006	74,949
Travel and entertainment	57,812	3,401	6,801	68,014
Events and conferences	15,553	2,583	27,087	45,223
Information technology	29,816	2,634	9,967	42,417
Depreciation and amortization	16,845	573	608	18,026
	<u>\$ 2,992,810</u>	<u>\$ 293,998</u>	<u>\$ 467,550</u>	<u>\$ 3,754,358</u>

See notes to financial statements

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Statement of Functional Expenses

Year Ended December 31, 2020

	Program Activities	Supporting Activities:		Total
		General and Administrative	Fundraising	
Salaries	\$ 832,724	\$ 54,552	\$ 191,274	\$ 1,078,550
Grants to others	475,730	-	-	475,730
Contracted and professional services	368,197	96,185	8,838	473,220
Global travel, equipment, and supplies	286,616	-	-	286,616
Advertising, promotions, and donor relations	34,339	2,377	5,189	41,905
Employee benefits	65,472	3,641	12,519	81,632
Facilities operation and maintenance	56,001	6,005	11,347	73,353
Services, supplies and other	55,646	12,451	40,417	108,514
Travel and entertainment	19,667	1,157	2,314	23,138
Events and conferences	19,850	2,704	9,954	32,508
Information technology	30,524	5,775	15,703	52,002
Depreciation and amortization	16,891	2,779	928	20,598
	<u>\$ 2,261,657</u>	<u>\$ 187,626</u>	<u>\$ 298,483</u>	<u>\$ 2,747,766</u>

See notes to financial statements

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Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 273,247	\$ 417,020
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated stock	(30,144)	-
Reinvested dividends	(4,092)	-
Net realized gain on investments	3,263	-
Depreciation and amortization	18,026	20,598
Loss on disposal of equipment and software	148	(1,265)
Proceeds from sale of fixed assets	1,679	-
Forgiveness of Paycheck Protection Program loan	(212,049)	(209,823)
Changes in operating assets and liabilities:		
Pledges receivable	(72,802)	8,276
Prepaid expenses	(15,448)	(998)
Inventory	2,500	7,375
Accrued expenses	4,954	(26,102)
Net Cash Provided (Used) by Operating Activities	(30,718)	215,081
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	-	15,438
Purchases of equipment	(10,858)	(10,629)
Net Cash Provided (Used) by Investing Activities	(10,858)	4,809
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	212,049	209,823
Net Cash Provided by Financing Activities	212,049	209,823
Change in Cash	170,473	429,713
Cash, Beginning of Year	687,986	258,273
Cash, End of Year	\$ 858,459	\$ 687,986
NON-CASH TRANSACTION:		
Forgiveness of Paycheck Protection Program loan	\$ 212,049	\$ 209,823

See notes to financial statements

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Notes to Financial Statements

December 31, 2021 and 2020

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 checking and savings accounts as well as petty cash. As of December 31, 2021 and 2020, Exodus has cash on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$158,000 and \$309,000, 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 years ended December 31, 2021 and 2020, several donors pledged contributions 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, 2021 and 2020, respectively.

INVESTMENTS

Investments consist of Level 1 mutual funds and equities and are reported at their readily determinable fair market values which are based on quoted market price. Donated securities are initially recorded at fair value on the date of the gift and are thereafter carried in accordance with the above policy.

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Notes to Financial Statements

December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 and received, respectively. Purchases are recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of three to seven years.

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 equipment and software.

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.

Exodus received two Paycheck Protection Program (PPP) loans. The first PPP loan was received during the year ended December 31, 2020 in the amount of \$209,823 and the second loan was received during the year ended December 31, 2021 in the amount of \$212,049. The loans were eligible for forgiveness based on Exodus incurring various qualifying expenses, such as normal payroll costs and utilities. During the years ended December 31, 2021 and 2020, Exodus received forgiveness of both loans and they have been recorded as contributions with donor restrictions on the statements of activities.

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Notes to Financial Statements

December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

Exodus has met the requirements for eligibility for the 2020 Employee Retention Credit (ERC). Exodus calculated the credit based on qualified wages and has filed the Form 941-X to claim the credits. Laws and regulations concerning government programs, including the ERC, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge Exodus' claims to the ERC, and it is not possible to determine the impact (if any) this would have upon Exodus. As of December 31, 2021, the receivable consists of the 2020 second quarter credit which has not yet been collected, but is expected to be received within one year. The receivable is recorded in pledges receivable on the statements of financial position. No allowance is recorded as management expects to collect the amount in full. The revenue is included within other income on the statements of activities.

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 \$503,905 and \$298,562, for the years ended December 31, 2021 and 2020, respectively. Donated goods and equipment are recognized at their estimated fair market value at the date of the gift, and are valued at \$374,041 and \$265,216, for the years ended December 31, 2021 and 2020, respectively. During the years ended December 2021 and 2020, Exodus also received gifts of donated investments at their estimated fair market value at the date of the gifts, totaling \$30,144 and \$0, 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, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

Exodus has approximately \$1,019,732 and \$745,848, of financial assets available within one year of the statements of financial position date as of December 31, 2021 and 2020, respectively. This amount consists of cash, 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.

4. EQUIPMENT AND SOFTWARE–NET:

Equipment and software–net consists of:

	December 31,	
	2021	2020
Software	\$ 48,033	\$ 38,948
Database and website	29,448	29,448
Surveillance equipment	999	999
	<u> </u>	<u> </u>
Less accumulated depreciation and amortization	(58,698)	(40,618)
	<u> </u>	<u> </u>
	<u>\$ 19,782</u>	<u>\$ 28,777</u>

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of \$0 and \$33,275, for the years ended December 31, 2021 and 2020, respectively, to purchase covert equipment.

6. OPERATING LEASES:

Exodus has a non-cancellable operating lease for office space in Colorado Springs as well as a copier lease. The office space lease and the copier lease will both expire in July 2022. Lease expense for the years ended December 31, 2021 and 2020, was \$35,820 and \$46,079, respectively and is recorded on the statements of functional expenses. Future minimum payments required in 2022 under non-cancellable operating leases total \$23,490.

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Notes to Financial Statements

December 31, 2021 and 2020

7. RELATED PARTIES:

During the years ended December 31, 2021 and 2020, Exodus granted funds to an organization in which Exodus' Co-Founder (and former 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, 2021 and 2020 to this organization were \$292,155 and \$257,364, respectively.

During the year ended December 31, 2021, Exodus granted funds to an organization in which Exodus' Chief Executive Officer services on the Board of Directors. Total funds granted during the year ended December 31, 2021 was \$101,501.

During the year ended December 31, 2021, a board member was paid \$9,852 for contract services rendered during the year.

8. SUPPORT AND REVENUE CONCENTRATION:

During the years ended December 31, 2021 and 2020, Exodus received contributions from two donors that, when combined, totaled approximately \$817,000 and \$818,000, respectively. These gifts accounted for approximately 20% and 26% of total revenue and support for the years ended December 31, 2021 and 2020, respectively.

9. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Exodus for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through April 26, 2022, which is the date the financial statements were available to be issued.