

**EXODUS CRY, INC.
AND
SUBSIDIARY**

**INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2023

EXODUS CRY, INC. AND SUBSIDIARY

DECEMBER 31, 2023

	<u>CONTENTS</u>
	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7 - 10



EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Exodus Cry, Inc. and Subsidiary
San Clemente, California**

Opinion

We have audited the accompanying consolidated financial statements of Exodus Cry, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Exodus Cry, Inc. and Subsidiary as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Auditor's 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 auditor's 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, including omissions, 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 Exodus Cry, Inc. and Subsidiary'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 Exodus Cry, Inc. and Subsidiary'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.

Emerick + Company, P.C.

Emerick & Company, P.C.
Kansas City, Missouri
November 8, 2024

EXODUS CRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 989,619
Accounts receivable	100,413
Prepaid expenses	12,665
Deposits	10,769
Inventory	16,719
Total Current Assets	1,130,185

PROPERTY AND EQUIPMENT

Equipment and furniture	763,625
Vehicles	250,667
Accumulated depreciation	(526,502)
Net Property and Equipment	487,790

OTHER ASSETS

Intangible asset-documentary films	3,848,663
Accumulated amortization	(3,848,663)
	-
Work in progress-documentary films	1,109,827
Total Other Assets	1,109,827

RIGHT OF USE ASSET

139,262

TOTAL ASSETS

\$ 2,867,064

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 48,450
Accrued expenses	63,033
Current portion of loans payable	33,527
Current portion of operating lease liability	49,013
Total Current Liabilities	194,023

NONCURRENT LIABILITIES

Loans payable, net of current portion	18,170
Operating lease liability, net of current portion	90,398
Total Noncurrent Liabilities	108,568

TOTAL LIABILITIES

302,591

NET ASSETS

Without donor restrictions	2,564,473
Total Net Assets	2,564,473

TOTAL LIABILITIES AND NET ASSETS

\$ 2,867,064

See Notes to Consolidated Financial Statements

**EXODUS CRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 3,212,898	\$ 8,451	\$ 3,221,349
Sales, net	382	-	382
Licenses	1,553	-	1,553
Royalties	53	-	53
Registrations	23,779	-	23,779
Net assets released from restrictions	8,451	(8,451)	-
Total Support and Revenue	3,247,116	-	3,247,116
EXPENSES			
Program services	3,783,933	-	3,783,933
Supporting services			
Management and general	160,878	-	160,878
Fundraising	233,896	-	233,896
Total Expenses	4,178,707	-	4,178,707
Change in Net Assets from Operations	(931,591)	-	(931,591)
Other Changes in Net Assets			
Interest income	4,396	-	4,396
Interest expense	(7,502)	-	(7,502)
Loss on disposal of equipment	(475)	-	(475)
Employee retention credit income	124,021	-	124,021
Other expense	(926)	-	(926)
CHANGE IN NET ASSETS	(812,077)	-	(812,077)
NET ASSETS, Beginning of year	3,376,550	-	3,376,550
NET ASSETS, End of year	\$ 2,564,473	\$ -	\$ 2,564,473

See Notes to Consolidated Financial Statements

EXODUS CRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services				Supporting Services			Total Expenses
	Messaging	Legal Reform	Intervention	Film	Total	Management and General	Fundraising	
Contributions	\$ 3,513	\$ -	\$ 14,476	\$ 8,637	\$ 26,626	\$ -	\$ -	\$ -
Transaction fees	26	-	80	439	545	-	-	79,301
Contract fees	28,429	348	1,207	10,887	40,871	1,361	77,940	79,301
Non-capitalized equipment	7,896	3,849	152	18,570	30,467	11,803	9,567	21,370
Equipment rental and maintenance	180	1,491	268	3,333	5,272	357	2,243	2,600
Occupancy	52,668	57,025	7,542	78,658	195,893	71	72	143
Insurance	8,460	-	3,245	10,791	22,496	5,838	59,502	65,340
Professional fees and contract labor	118,592	17,649	104,440	32,838	273,519	39,161	3,634	42,795
Travel	20,008	22,610	4,265	120,262	167,145	52,100	19,735	71,835
Office	9,320	320	5,045	15,938	30,623	2,484	10,681	13,165
Advertising and marketing	8,334	1,792	-	44,250	54,376	7,109	6,444	13,553
Personnel expenses	525,447	100,836	256,131	281,110	1,163,524	-	8,327	8,327
Depreciation and amortization	-	-	-	1,772,576	1,772,576	40,594	35,751	76,345
	<u>\$ 782,873</u>	<u>\$ 205,920</u>	<u>\$ 396,851</u>	<u>\$ 2,398,289</u>	<u>\$ 3,783,933</u>	<u>\$ 160,878</u>	<u>\$ 233,896</u>	<u>\$ 394,774</u>
								<u>\$ 4,178,707</u>

See Notes to Consolidated Financial Statements

**EXODUS CRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (812,077)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,772,576
Loss on disposal of equipment	475
Amortization of lease asset	149
Changes in:	
Accounts receivable	(100,413)
Prepaid expenses	(5,187)
Deposits	(5,612)
Inventory	(1,893)
Accounts payable	8,080
Accrued expenses	17,848
	<u>873,946</u>
Net cash provided by operating activities	<u>873,946</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(210,218)
Costs capitalized for documentary films production	(615,535)
	<u>(825,753)</u>
Net cash used in investing activities	<u>(825,753)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on loans payable	(31,003)
	<u>(31,003)</u>
Net cash used in financing activities	<u>(31,003)</u>

INCREASE IN CASH AND CASH EQUIVALENTS 17,190

CASH AND CASH EQUIVALENTS, Beginning of year 972,429

CASH AND CASH EQUIVALENTS, End of year \$ 989,619

Supplemental Cash Flow Information

Cash paid for interest	<u><u>\$ 7,502</u></u>
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See Notes to Consolidated Financial Statements

EXODUS CRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Exodus Cry, Inc. (the Organization) is committed to abolishing sex trafficking and breaking the cycle of commercial sexual exploitation, while assisting and empowering its victims.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, Magic Lantern Pictures, LLC (MLP). All significant intercompany accounts and transactions have been eliminated upon consolidation. The subsidiary is a single member limited liability company (SMLLC), with the Organization being the sole member. Per Internal Revenue Service (IRS) Announcement 99-102, a SMLLC is disregarded as an entity separate from its owner and takes on the tax-exempt status of its owner. For tax purposes, MLP is treated as a division of the Organization. Furthermore, MLP engages in no activity unrelated to the Organization's tax-exempt purposes.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to any donor-imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are classified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right of use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

EXODUS CRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Organization recognizes revenue derived from sales as the goods are delivered to the buyer.

The Organization recognizes revenue from licenses for films based on consideration specified in a contract with a customer and recognizes revenue when it satisfies the performance obligations by transferring control of the film to a customer.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Accounts Receivable

The Organization considers all accounts receivable shown in these consolidated financial statements to be collectible, therefore, no allowance for doubtful accounts has been provided.

Inventory

DVDs, CDs, clothing and other merchandise are valued at the lower of cost or net realizable value.

Intangible Asset – Documentary Films

The intangible asset-documentary films is carried at cost. Amortization is computed based on a ratio of revenue earned in the year to total ultimate (expected) revenue to be earned. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

Property and Equipment

The Organization capitalizes equipment over \$1,000 at cost. Lesser amounts are expensed. Property and equipment is being depreciated over estimated useful lives of three to five years using the straight-line method.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statement of activities. Costs that can be directly attributed to a specific program or supporting service are charged to that program or supporting function. Expenses that relate to more than one program or supporting service are allocated among programs and supporting services benefited. Allocated expenses include personnel, occupancy, insurance, travel, office, transaction fees, professional fees and contract labor, and equipment costs. Such allocations are determined by management using an overhead cost allocation matrix which allocates costs based on estimates of time and efforts.

EXODUS CRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through November 8, 2024, the date on which the consolidated financial statements were available to be issued. See Note 10.

NOTE 2: INCOME TAXES

The Organization has received an exemption from the IRS from federal income taxes under Section 501(a), as an entity described in Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization's tax returns are subject to possible examination by tax authorities. The tax returns remain open for examination for a period of three years after the filing deadlines.

NOTE 3: OPERATING LEASES

The Organization's operating leases consist of real estate leases for office space and storage. The Organization has made an accounting policy election to use a risk-free rate in lieu of an incremental borrowing rate to discount future lease payments.

Weighted Average Remaining Lease Term (months)	32
Weighted Average Discount Rate	4.57%

Maturities of operating lease liabilities at December 31, 2023 are as follows:

For the year ending December 31,	
2024	\$ 54,374
2025	56,005
2026	<u>38,076</u>
Total lease payments	148,455
Less present value discount	<u>9,044</u>
Present value of lease liabilities	\$ <u>139,411</u>

Operating lease expense and cash paid was \$40,611 and \$35,805, respectively for the year ended December 31, 2023.

During the year ended December 31, 2023, the Organization leased storage space on a month to month basis in several locations. The rent averaged \$256 per month.

Rent expense related to the short-term leases and storage space for the year ended December 31, 2023 was \$44,159.

NOTE 4: LOANS PAYABLE

During the year ended December 31, 2020, the Organization received financing in the form of a loan payable due to a financial institution. The note bears interest at a fixed rate of 7.85% with monthly payments of \$3,070 including principal and interest with a maturity of October 2025. The note is secured by property. The outstanding balance at December 31, 2023 is \$51,697.

Future maturities are:

2024	\$ 33,527
2025	<u>18,170</u>
	\$ <u>51,697</u>

EXODUS CRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2023, net assets were released from donor restrictions by satisfying the restricted purposes as follows:

	<u>2023</u>
Intervention	\$ 5,861
Media/film	1,555
Legal reform	<u>1,035</u>
	\$ <u>8,451</u>

NOTE 6: CONCENTRATION OF CREDIT RISK

At various times during the year, the Organization's cash deposits may exceed federally insured limits. The Organization has not experienced any losses due to these credit risks.

NOTE 7: AVAILABILITY AND LIQUIDITY

The Organization strives to maintain liquid financial assets sufficient to cover operating expenditures. The Organization has \$1,090,032 of financial assets available within one year of the statement of financial position to meet cash needs for general operating expenditures consisting of cash and cash equivalents and accounts receivable.

NOTE 8: RETIREMENT PLAN

The Organization sponsors a defined contribution plan under IRC Section 403(b). The plan covers all full-time employees who meet the eligibility requirements. The Organization's contribution to the plan was \$161,917 for the year ended December 31, 2023.

NOTE 9: RELATED PARTY TRANSACTION

The President of the Organization leases office space utilized by the Organization. The Organization makes the lease payments directly to the lessor. The monthly rent is \$6,216 for the period April 24, 2023 through April 23, 2024. The lease will automatically renew month-to-month unless either party gives written notice of termination. The President utilizes approximately 49% of the space and \$34,675 was included in W-2 wages for the President's portion of rent during the year ended December 31, 2023. The Organization utilizes approximately 51% of the space and recorded \$36,455 of rent expense for the year ended December 31, 2023 for the Organization's portion of rent.

NOTE 10: SUBSEQUENT EVENT

In May 2024, the Organization received a \$1 million donation from an anonymous donor.