

Journey Out
Financial Statements
and Independent Auditor's Report
December 31, 2020

Journey Out

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Independent Auditor's Report

To the Board of Directors
Journey Out

We have audited the accompanying financial statements of Journey Out (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Journey Out as of December 31, 2020, 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.

CohnReznick LLP

Los Angeles, California
December 20, 2021

Journey Out
Statement of Financial Position
December 31, 2020

Assets

Current assets		
Cash		\$ 396,048
Grants receivable		115,166
		<hr/>
Total current assets		511,214
Investments		81,648
Property and equipment, net of accumulated depreciation		34,976
Other assets		4,344
		<hr/>
Total assets		<u>\$ 632,182</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable		\$ 12,358
Accrued expenses		50,516
		<hr/>
Total current liabilities		<u>62,874</u>
Contingencies		
Net assets		
Without donor restrictions		569,308
With donor restrictions		-
		<hr/>
Total net assets		<u>569,308</u>
Total liabilities and net assets		<u>\$ 632,182</u>

See Notes to Financial Statements.

Journey Out
Statement of Activities
Year Ended December 31, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 293,595	\$ -	\$ 293,595
Program income	1,037,564	-	1,037,564
Other income	1,900	-	1,900
Interest income	338	-	338
	<u>1,333,397</u>	<u>-</u>	<u>1,333,397</u>
Total support and revenues			
Expenses			
Program	885,244	-	885,244
Management and general	185,449	-	185,449
Fundraising	141,996	-	141,996
	<u>1,212,689</u>	<u>-</u>	<u>1,212,689</u>
Total expenses			
Change in net assets	120,708	-	120,708
Net assets, beginning	<u>448,600</u>	<u>-</u>	<u>448,600</u>
Net assets, end	<u>\$ 569,308</u>	<u>\$ -</u>	<u>\$ 569,308</u>

See Notes to Financial Statements.

Journey Out

Statement of Functional Expenses Year Ended December 31, 2020

	Program	Management and General	Fundraising	Total
Bank charges	\$ -	\$ -	\$ 761	\$ 761
Consultants	36,997	-	-	36,997
Depreciation	18,229	-	-	18,229
Dues and subscriptions	2,054	-	-	2,054
Emergency support	220,881	-	-	220,881
Employee benefits	32,438	8,753	10,298	51,489
Event expenses	8,067	221	-	8,288
Insurance	5,097	8,237	-	13,334
Marketing and promotion	-	797	-	797
Meetings and conferences	10,247	99	-	10,346
Other	596	-	-	596
Payroll and payroll taxes	403,897	109,441	127,050	640,388
Postage	-	359	3,455	3,814
Professional fees	-	19,150	-	19,150
Rent	101,055	12,865	-	113,920
Repairs and maintenance	1,454	2,442	-	3,896
Supplies	19,874	23,085	432	43,391
Telephone	12,184	-	-	12,184
Training	4,852	-	-	4,852
Travel	7,322	-	-	7,322
Total	\$ 885,244	\$ 185,449	\$ 141,996	\$ 1,212,689

See Notes to Financial Statements.

Journey Out

Statement of Cash Flows Year Ended December 31, 2020

Cash flows from operating activities	
Change in net assets	\$ 120,708
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	18,229
Changes in operating assets and liabilities	
Grants receivable	33,370
Accounts payable	8,530
Accrued expenses	<u>(45,377)</u>
Net cash provided by operating activities	<u>135,460</u>
Cash flows from investing activities	
Purchase of short-term investments	(263)
Purchase of property and equipment	<u>(7,563)</u>
Net cash used in investing activities	<u>(7,826)</u>
Net Increase in cash	127,634
Cash and cash equivalents, beginning	<u>268,414</u>
Cash and cash equivalents, end	<u>\$ 396,048</u>

See Notes to Financial Statements.

Journey Out

Notes to Financial Statements December 31, 2020

Note 1 - Business activity and summary of significant accounting policies

Business activity

Journey Out (the "Organization") is a California corporation designated as a 501(c)(3) nonprofit entity. The Organization was formed in 1982 and changed its name from The Mary Magdalene Project to Journey Out in 2015. The Organization provides services in Southern California to help victims of commercial sexual exploitation and sex trafficking leave a life of abuse and violence, overcome their fears, and empower them to reach their full potential and achieve their goals.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, which are described as follows:

Net assets without donor restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets may be designated for specific purpose by action of the board.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both. At December 31, 2020, there were no net assets with donor restrictions.

Fair value measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Journey Out

Notes to Financial Statements December 31, 2020

Investments

Investments are reported at their fair value in the statement of financial position. At December 31, 2020, investments consist of certificates of deposit with maturities in excess of 12 months in the amount of \$81,648 and are classified as Level 2 in the fair value hierarchy.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which is five years. Repairs and maintenance are charged to expenses as incurred.

Grants receivable

Grants receivable consists of costs under the grant agreements which were incurred prior to year-end for which payment has not been received. Grants receivable credit risk is limited due to the nature of grants. The Organization regularly monitors its grants receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Organization considers all grants to be collectible.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as restricted support if the restrictions are not met in the same reporting period. When such donor imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

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 substantially met. At December 31, 2020, there were no conditional contributions.

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel time and space utilized for activities.

Income taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of California. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization has no unrecognized tax benefits at December 31, 2020. The Organization's federal and state income tax returns prior to 2017 and 2016, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Organization recognizes interest and penalties associated with tax matters, if applicable, as part of income tax expense in the statement of financial position.

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Notes to Financial Statements December 31, 2020

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the 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.

Subsequent events

The Organization has evaluated the impact of subsequent events through December 20, 2021, the date the financial statements were available to be issued.

Note 2 - Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash. The Organization maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

For the year ended December 31, 2020, approximately 43% of the Organization's contributions were from two donors and 69% of the Organization's program income was received from one grantor.

At December 31, 2020, 90% of the Organization's grants receivable were from four grantors.

Note 3 - Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$	396,048
Grants receivable		<u>115,166</u>
	\$	<u>511,214</u>

Financial assets of the Organization are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due.

Note 4 - Property and equipment

At December 31, 2020, property and equipment consisted of the following:

Automobiles	\$	33,087
Computer and equipment		38,743
Furniture and fixtures		<u>7,938</u>
		79,768
Less accumulated depreciation		<u>44,792</u>
	\$	<u>34,976</u>

Depreciation expense for the year ended December 31, 2020 was \$18,229.

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Notes to Financial Statements December 31, 2020

Note 5 - Contingencies

In March 2020, the coronavirus that causes COVID-19 was declared a global pandemic by the World Health Organization, which has caused business disruption domestically in the United States, the area in which the Organization primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while this matter may impact the Organization's financial condition, statement of activities or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time. As of December 31, 2020 the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Organization.