

**Journey Out**  
**Financial Statements**  
**and Independent Auditor's Report**  
**December 31, 2021**

---

# Journey Out

## Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

## Independent Auditor's Report

To the Board of Directors  
Journey Out

### *Opinion*

We have audited the accompanying financial statements of Journey Out (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Journey Out as of December 31, 2021, 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 ("GAAS"). 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 Journey Out 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 Journey Out's ability to continue as a going concern for 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 GAAS 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 GAAS 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 Journey Out'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 Journey Out'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.

*CohnReznick LLP*

Los Angeles, California  
February 1, 2023

## Journey Out

### Statement of Financial Position December 31, 2021

#### Assets

Current assets	
Cash and cash equivalents	\$ 327,686
Grants receivable	188,291
	<hr/>
Total current assets	515,977
Investments	86,386
Property and equipment, net of accumulated depreciation	27,532
Other assets	2,000
	<hr/>
Total assets	<u>\$ 631,895</u>

#### Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 2,492
Accrued expenses	72,281
	<hr/>
Total current liabilities	<u>74,773</u>
Contingencies	
Net assets	
Without donor restrictions	557,122
With donor restrictions	-
	<hr/>
Total net assets	<u>557,122</u>
Total liabilities and net assets	<u>\$ 631,895</u>

See Notes to Financial Statements.

## Journey Out

### Statement of Activities Year Ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 212,252	\$ -	\$ 212,252
Program income	1,194,503	-	1,194,503
Investment income	2,894	-	2,894
	<u>1,409,649</u>	<u>-</u>	<u>1,409,649</u>
Total support and revenues			
Expenses			
Program	958,724	-	958,724
Management and general	292,751	-	292,751
Fundraising	170,360	-	170,360
	<u>1,421,835</u>	<u>-</u>	<u>1,421,835</u>
Total expenses			
Change in net assets	(12,186)	-	(12,186)
Net assets, beginning	<u>569,308</u>	<u>-</u>	<u>569,308</u>
Net assets, end	<u>\$ 557,122</u>	<u>\$ -</u>	<u>\$ 557,122</u>

See Notes to Financial Statements.

## Journey Out

### Statement of Functional Expenses Year Ended December 31, 2021

	Program	Management and general	Fundraising	Total
Bank charges	\$ -	\$ 18,811	\$ -	\$ 18,811
Consultants	26,939	-	-	26,939
Depreciation	21,586	-	-	21,586
Dues and subscriptions	2,412	3,000	-	5,412
Emergency support	217,402	-	-	217,402
Employee benefits	39,980	10,788	12,692	63,460
Event expenses	6,214	438	-	6,652
Insurance	6,572	11,179	-	17,751
Marketing and promotion	-	628	-	628
Meetings and conferences	2,671	688	-	3,359
Other	571	-	-	571
Payroll and payroll taxes	491,877	169,855	153,750	815,482
Postage	-	1,973	-	1,973
Professional fees	126	20,294	-	20,420
Rent	68,232	15,543	-	83,775
Repairs and maintenance	823	1,075	-	1,898
Supplies	34,606	35,183	3,918	73,707
Telephone	13,542	3,177	-	16,719
Training	21,467	119	-	21,586
Travel	3,704	-	-	3,704
<b>Total</b>	<b>\$ 958,724</b>	<b>\$ 292,751</b>	<b>\$ 170,360</b>	<b>\$ 1,421,835</b>

See Notes to Financial Statements.

## Journey Out

### Statement of Cash Flows Year Ended December 31, 2021

Cash flows from operating activities	
Change in net assets	\$ (12,186)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Unrealized gain on investments	(2,394)
Depreciation	21,586
Changes in operating assets and liabilities	
Grants receivable	(73,125)
Accounts payable	(9,866)
Accrued expenses	21,765
	<hr/>
Net cash used in operating activities	(54,220)
	<hr/>
Cash flows from investing activities	
Purchase of property and equipment	(14,142)
	<hr/>
Net cash used in investing activities	(14,142)
	<hr/>
Net decrease in cash	(68,362)
	<hr/>
Cash and cash equivalents, beginning	396,048
	<hr/>
Cash and cash equivalents, end	\$ 327,686
	<hr/>

See Notes to Financial Statements.

## Journey Out

### Notes to Financial Statements December 31, 2021

#### 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, 2021, 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, 2021

#### **Investments**

Investments are reported at their fair value in the statement of financial position.

#### **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, 2021, 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, 2021. The Organization's federal and state income tax returns prior to 2018 and 2017, 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.

## Journey Out

### Notes to Financial Statements December 31, 2021

#### 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 February 1, 2023, 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, 2021, approximately 24% of the Organization's contributions were from two donors and 90% of the Organization's program income was received from two grantors.

At December 31, 2021, 93% of the Organization's grants receivable were from two 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	\$	327,686
Grants receivable		<u>188,291</u>
	\$	<u>515,977</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 - Investments and fair value

Investments carried at fair value as of December 31, 2021 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 4,738	\$ -	\$ -	\$ 4,738
Certificates of deposit	<u>-</u>	<u>81,648</u>	<u>-</u>	<u>81,648</u>
Total assets at fair value	<u>\$ 4,738</u>	<u>\$ 81,648</u>	<u>\$ -</u>	<u>\$ 86,386</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets and are valued on a recurring basis. Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their

## Journey Out

### Notes to Financial Statements December 31, 2021

daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded. Investments valued using Level 2 inputs consist of certificates of deposit valued based on amortized cost, which approximates fair value. During the year ended December 31, 2021, there were no changes in the valuation techniques.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### Note 5 - Property and equipment

At December 31, 2021, property and equipment consisted of the following:

Automobiles	\$	33,087
Computer and equipment		48,612
Furniture and fixtures		12,211
		<hr/>
		93,910
Less accumulated depreciation		66,378
		<hr/>
	\$	<u>27,532</u>

Depreciation expense for the year ended December 31, 2021 was \$21,586.

#### Note 6 - 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, 2021, 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.



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**