

EXILE INTERNATIONAL
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

OCTOBER 31, 2021

EXILE INTERNATIONAL

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Independent Auditor's Report

To the Board of Directors
Exile International
Brentwood, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Exile International (the Organization), a nonprofit organization, which comprise the statement of financial position as of October 31, 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 Organization'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 Organization'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

(Auditor's report continued on next page)

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 the Organization as of October 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.

A handwritten signature in blue ink that reads "Puryear & Noonan, CPAs PLLC". The signature is written in a cursive, flowing style.

Puryear & Noonan, CPAs

Nashville, Tennessee

July 27, 2022

EXILE INTERNATIONAL
Statement of Financial Position
For the Year Ending October 31, 2021

Assets

Current Assets

Cash	\$ 1,013,772
Contributions receivable	180,000
Prepaid Expenses	4,842
Inventory	13,045
Total Current Assets	<u>1,211,659</u>

Long Term Assets

Contributions receivable - net of discount of \$2,063	<u>47,937</u>
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Total Assets

\$ 1,259,596

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 8,688
Payroll and other liabilities	51,536
Total Current Liabilities	<u>60,224</u>

Net Assets

Without donor restrictions	507,688
With donor restrictions	691,684
Total Net Assets	<u>1,199,372</u>

Total Liabilities and Net Assets

\$ 1,259,596

See independent auditor's report and accompanying notes to financial statements.

EXILE INTERNATIONAL
Statement of Activities and Changes in Net Assets
For the Year Ending October 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions from individuals	\$ 154,279	\$ 696,893	\$ 851,172
Contributions from businesses	44,745	10,500	55,245
Contributions from churches	26,637	-	26,637
Contributions from foundations	433,195	426,247	859,442
Other Income	74,574	-	74,574
Merchandise sales, net	(632)	-	(632)
Interest income	67	-	67
Net assets released from restriction	719,197	(719,197)	-
Total Revenues and Support	<u>1,452,062</u>	<u>414,443</u>	<u>1,866,505</u>
Expenses			
Program services	881,616	-	881,616
Fundraising	112,461	-	112,461
General and administrative	233,763	-	233,763
Total Expenses	<u>1,227,840</u>	<u>-</u>	<u>1,227,840</u>
Change in Net Assets	224,222	414,443	638,665
Net Assets - Beginning of Year	<u>283,466</u>	<u>277,241</u>	<u>560,707</u>
Net Assets - End of Year	<u><u>\$ 507,688</u></u>	<u><u>\$ 691,684</u></u>	<u><u>\$ 1,199,372</u></u>

See independent auditor's report and accompanying notes to financial statements.

EXILE INTERNATIONAL
Statement of Cash Flows
For the Year Ending October 31, 2021

Cash Flows from Operating Activities

Change in net assets \$ 638,665

**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by (Used for) Operating Activities**

Paycheck Protection Program loan forgiveness (57,112)

(Increase) decrease in donations receivable (90,317)

Increase (decrease) in prepaid expenses (5,631)

Increase (decrease) in inventory (4,842)

Increase (decrease) in accounts payable (8,039)

Increase (decrease) in payroll and other liabilities (972)

Net Cash Provided by (Used for) Operating Activities 471,752

Change in Cash 471,752

Cash - Beginning of Year 542,020

Cash - End of Year \$ 1,013,772

Supplemental Cash Flow Information

Interest paid \$ -

See independent auditor's report and accompanying notes to financial statements.

EXILE INTERNATIONAL
Statement of Functional Expenses
For the Year Ending October 31, 2021

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Compensation and wages	\$ 364,649	\$ 63,669	\$ 150,490	\$ 578,808
In country support	475,448	-	-	475,448
Travel	1,390	1,659	5,815	8,864
Bank and credit card processing	5,522	18,066	395	23,983
Gifts	1,809	343	1,500	3,652
Supplies	4,348	3,098	9,694	17,140
Advertising and marketing	6,226	362	-	6,588
Professional development	880	-	5,650	6,530
Other expenses	385	13,641	12,171	26,197
Office expenses	10,864	11,623	13,537	36,024
Rent	1,030	-	21,712	22,742
Professional fees	9,065	-	12,799	21,864
Total Functional Expenses	<u><u>\$ 881,616</u></u>	<u><u>\$ 112,461</u></u>	<u><u>\$ 233,763</u></u>	<u><u>\$ 1,227,840</u></u>

See independent auditor's report and accompanying notes to financial statements.

EXILE INTERNATIONAL
Notes to Financial Statements
October 31, 2021

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

Exile International, Inc. (the Organization) is a Tennessee non-profit organization whose mission is restoring rescued child soldiers and children orphaned by war to become leaders for peace through art therapy and holistic, rehabilitative care.

The Organization restores hope and empowers survivors through comprehensive rehabilitation programs, equipping local leaders and counselors to provide quality care programs, and providing a sponsorship program for children orphaned and abandoned by war. Additionally, the Organization aims to raise awareness of the wars in the Democratic Republic of Congo and Uganda. The Organization receives support from individual donors, corporate donations, donations from churches and foundations, and the sale of merchandise.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned rather than when collected and expenses are recorded when incurred rather than when disbursed.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reporting of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by the actions of the Organization pursuant to those restrictions or that they expire by the passage of time.

Donor restricted contributions are reported as increases in net assets with restrictions. When a restriction expires, net assets are reclassified from net assets with restrictions to net assets without restrictions in the Statement of Activities and Changes in Net Assets.

Measure of Operations

The Statement of Activities and Changes in Net Assets reports changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities, contributions, event income, and merchandise income. Non-operating activities are limited to resources that generate return from investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature. There were no non-operating activities for the year ended October 31, 2021.

Cash and Cash Equivalents

Cash and cash equivalents are liquid assets with minimal interest rate risk and original maturities of three months or less when purchased. Such assets primarily consist of depository account balances and money market funds. The Organization had no cash equivalents at October 31, 2021.

Program and Supporting Services - Functional Allocation

The following program and supporting services are included in the accompanying financial statements on the Statement of Functional Expenses.

Program Services - include activities carried out to fulfill the Organization's mission, resulting in services such as job-training, in country support and other programs conducted by the Organization.

Supporting Services - Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, record keeping, budgeting, financing, and other administrative activities.

Supporting Services - Fundraising and Special Events - the Organization conducts fundraising activities including special events, exhibit and art displays, and online advertising. Direct costs for these activities are recorded as fundraising expenses. Additionally, costs for independent contractors and salaries are allocated to

fundraising based on time spent on fundraising activities as a percentage of total time.

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses, applicable to more than one function, are allocated on the basis of objectively summarized information or management estimates.

Donated Services

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses, based on the fair value of the services received. There were no donated services for the year ended October 31, 2021.

Inventory

Inventories of books, jewelry and apparel purchased for resale are stated at the lower of cost or net realizable value, determined by the first-in first-out (FIFO) method.

Property and Equipment

Property and equipment are recorded at cost, or, if donated, at fair market value at the date of the gift, less accumulated depreciation. Property and equipment are depreciated using the straight-line method based on the following estimated useful lives of the assets.

Furniture and Equipment	5 -7 years
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Significant additions and betterments in excess of \$2,500 are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Property and equipment are fully depreciated; therefore, there was no depreciation expense for the year ended October 31, 2021.

Revenue Recognition

The Organization's revenue and support comes primarily from contributions from businesses, individuals, churches, and foundations. Contributors donate directly to the Organization to support the operations, expansion, and the charitable causes that the Organization sponsors. The Organization records the contributions when received either as contributions with or without donor restrictions based upon the presence or absence of donor-imposed restrictions.

Grant revenue results from agreements, typically with foundations, that fund specific activities of the Organization. The grants are of three primary types: unconditional contributions, conditional contributions, and contracts with customers. The Organization recognizes grant revenue associated with unconditional contributions without donor stipulations as revenue and net assets without donor restrictions. Unconditional contributions that are restricted by the donor are reported as an increase

in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is received. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending upon the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. The Organization recognizes grant revenue associated with conditional contributions as earned when the conditions are met (allowable expenses have been incurred or as milestones are met). Any unused funds are forfeited, and if any expenditures are unallowed, the Organization is required to refund the amounts drawn down. In contrast, if the grant provides a benefit directly to the granting or contracting party, the agreement is a contract with a customer.

Revenue from contracts with customers is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price
- Recognition of revenue when, or as, the Organization satisfies a performance obligation.

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects consideration the Organization expects to be entitled to in exchange for transferring those goods or services.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. An allowance for uncollectible pledges receivable is based on management's judgment, including such factors as prior collection history, subsequent collections, credit worthiness of donor and nature of fundraising activity. Pledges are written off when determined to be uncollectible. Conditional pledges receivable are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

PPP Loan

The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act).

U.S. GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization elected to treat the PPP loan as debt. The loan was forgiven during the year ending October 31, 2021 and has been included in other income.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

The Organization follows the guidance in Accounting Standard Codification (ASC) 740-10 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. The Organization incurred no interest or penalties during the year ended October 31, 2021.

Advertising

The Organization expenses advertising costs as incurred. During the year ended October 31, 2021, the Organization expensed \$6,588 of costs.

Fair Value Measurements

The Organization follows Financial Accounting Standards Board (FASB) ASC 820-10, *Fair Value Measurements*, with the respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at the fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;

- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

U.S. GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, inventory, pledges receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair values.

Note 2 - Liquidity and Availability

The Organization's financial assets available within one year of the Statement of Financial Position for general expenditures are as follows:

Cash	\$ 1,013,772
Current receivables	<u>180,000</u>
Total financial assets	1,193,772
Less - Net assets with donor restrictions	<u>(691,684)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 502,088</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

None of the financial assets have Board designations at this time.

Note 3 - Unconditional Promises to Give

The Organization has received grants and contributions from multiple foundations that cover one to three year commitments. The long-term portion of these receivables have been discounted by \$2,063 using a discount rate of 4.125% based on the treasury rate for 2021. This discount will be amortized to contribution revenue as the receivables are collected. The expected annual collection of the receivables are:

2022	\$180,000
2023	\$47,938

Note 4 - Credit Risk

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of \$250,000. The Organization has not experienced, nor does it anticipate, any losses with respect to such amounts.

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended October 31, 2021 are as follows:

Subject to expenditure for specified purposes or time

Hope Wins	\$ 152,840
Orphan's Promise	1,424
University Sponsorships	12,060
Individual Child Sponsorships	191,212
Other	334,148
	<u>\$ 691,684</u>

Net assets released from donor restrictions for the year ended October 31, 2021 are as follows:

Satisfaction of program restrictions

Orphan's Promise	\$ 11,936
Hope Wins	117,271
PLC Caregiver Fund	30,000
Individual Child Sponsorships	246,814
Other	313,176
	<u>\$ 719,197</u>

Note 6 - Concentrations

The Organization receives a substantial amount of its support and revenues from businesses, individuals, churches, and foundations.

Note 7 - Subsequent Events

Management has evaluated subsequent events through July 27, 2022, the date that the financial statements were available to be issued.

Note 8 - Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842), which requires lessees to recognize assets and liabilities for most leases. The recognition measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard, as amended, will be effective for annual reporting periods beginning after December 15, 2021. Accordingly, this ASU will be effective for the Organization for the year ending October 31, 2023. The Organization is currently evaluating the impact that adoption of the ASU will have on the Organization's financial position and results of operations.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, whose purpose is to clarify the presentation and disclosure of contributed nonfinancial assets with the intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the nonprofit entity. ASU 2020-07 should be applied on a retrospective basis and effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact that adoption of this ASU will have on the Organization's financial statements.