



Audit Report & Financial Statements
October 31, 2017

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Independent Auditor's Report

To the Board of Directors of
Exile International
Brentwood, TN

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Exile International (the Organization) which comprise the statement of financial position as of October 31, 2017, and the related statements of activities, 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 of 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.

(Auditor's report continued on next page)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Exile International, as of October 31, 2017, 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 "McKerley + Noonan". The signature is written in a cursive, flowing style.

McKerley & Noonan, P.C.

October 5, 2018

Exile International
Statement of Financial Position
October 31, 2017

Assets

Current Assets:

Cash	\$	408,704
Inventory		9,815
Total Current Assets		418,519

Fixed Assets:

Furniture & Equipment		2,881
Less: Accumulated Depreciation		(2,639)
Net Fixed Assets		242

Total Assets	\$	418,761
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Liabilities and Net Assets

Current Liabilities:

Payroll Liabilities	\$	20,153
Sales Tax Payable		3
Total Current Liabilities		20,156

Net Assets:

Unrestricted Net Assets		340,084
Temporarily Restricted Net Assets		58,521
Total Net Assets		398,605

Total Liabilities and Net Assets	\$	418,761
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Exile International
Statement of Activities and Changes in Net Assets
For the Year Ended October 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions from Individuals	\$ 329,552	\$ 215,463	\$ 545,014
Contributions from Businesses	115,061	12,400	127,461
Contributions from Churches	32,734	-	32,734
Contributions from Foundations	57,703	106,037	163,740
Merchandise Sales (Net)	7,321	-	7,321
Special Events	3,226	-	3,226
Interest Income	57	-	57
Net Assets Released from Restriction	327,764	(327,764)	-
Total Revenues and Support	<u>873,417</u>	<u>6,136</u>	<u>879,553</u>
Expenses:			
Program Services	730,348	-	730,348
Fundraising	61,276	-	61,276
General and Administrative	167,695	-	167,695
Total Expenses	<u>959,319</u>	<u>-</u>	<u>959,319</u>
Change in Net Assets	(85,902)	6,136	(79,766)
Net Assets, Beginning of the Year, as originally stated	425,985	11,885	437,870
Prior Period Adjustment	-	40,500	40,500
Net Assets, Beginning of the Year, as restated	<u>425,985</u>	<u>52,385</u>	<u>478,370</u>
Net Assets - End of the Year	<u>\$ 340,083</u>	<u>\$ 58,521</u>	<u>\$ 398,604</u>

Exile International
Statement of Cash Flows
For the Year Ended October 31, 2017

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (79,766)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	412
Decrease in Grant Receivables	40,500
Decrease in Inventory	1,984
Increase in Payroll & Accrued Expense Liabilities	10,073
Decrease in Sales Tax Payable	(98)
Total Adjustments	<u>52,871</u>
Net Cash Provided by Operating Activities	(26,895)
Cash, Beginning of the Year	<u>435,599</u>
Cash, End of Year	<u><u>\$ 408,704</u></u>
Supplemental Cash Flow Information:	
Interest Paid	\$ -

Exile International
Statement of Functional Expenses
For the Year Ended October 31, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Compensation & Wages	\$ 238,168	\$ 123,578	\$ 26,431	\$ 388,177
In Country Support	378,054	-	-	378,054
Travel	43,236	2,238	2,442	47,916
Supplies	24,282	5,139	128	29,549
Advertising & Marketing	14,272	-	8,560	22,832
Bank & Credit Card Processing	8,025	377	12,799	21,201
Office Expenses	6,718	4,935	3,934	15,587
Professional Fees	750	9,389	5,200	15,339
Other Expenses	3,505	10,485	674	14,664
Rent	2,141	8,334	226	10,701
Gifts	9,241	803	157	10,201
Professional Development	1,956	2,005	725	4,686
Depreciation Expense	-	412	-	412
Total Functional Expenses	<u>\$ 730,348</u>	<u>\$ 167,695</u>	<u>\$ 61,276</u>	<u>\$ 959,319</u>

Exile International

Notes to Financial Statements October 31, 2017

NOTE 1 – DESCRIPTION AND PURPOSE OF THE ORGANIZATION

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue 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 three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At October 31, 2017, there were \$58,521 of temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of October 31, 2017, there were no permanently restricted net assets.

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.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method, based on the following estimated useful lives of the assets.

Furniture & Equipment	5 – 7 years
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Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Inventory

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

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.

Fundraising

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.

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 ASC 740 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, 2017.

NOTE 3 – CREDIT RISK

The Organization maintained at various times, and at year end, cash balances in excess of \$250,000 in high credit quality banks which are insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTE 4 – MERCHANDISE

The Organization sells merchandise both online and in-person. The merchandise consists of jewelry, apparel, and books, and is recorded net of costs on the statement of activities. Gross revenues and costs for the year ended October 31, 2017 are as follows:

Merchandise Sales	\$15,195
Cost of Sales	7,874
Merchandise Sales (net)	<u>\$7,321</u>

NOTE – PRIOR PERIOD ADJUSTMENT

The Organization has determined that a \$40,500 grant that had been awarded during the year ended October 31, 2016 was not properly reflected as an increase in Grant revenues and Grant Receivables as required by generally accepted accounting principles. The restated beginning net assets properly reflect the awarded grant.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 5, 2018, the date that the financial statements were available to be issued.