



Audit Report & Financial Statements
October 31, 2016

Table of Contents

Independent Auditor’s Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows.....	5
Statement of Functional Expenses.....	6
Notes to Financial Statements	7
Note 1 - Description and Purpose of the Organization.....	8
Note 2 - Summary of Significant Accounting Policies	8
Note 3 – Credit Risk.....	10
Note 4 – Concentrations	10
Note 5 – Merchandise	10
Note 6 – Subsequent Events	11

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, 2016, 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, 2016, 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 black ink that reads "McKerley & Noonan". The signature is written in a cursive, flowing style.

McKerley & Noonan, P.C.

March 1, 2017

**Exile International
Statement of Financial Position
October 31, 2016**

Assets

Current Assets:

Cash in Bank	\$	435,599
Inventory		11,799
Total Current Assets		447,398

Fixed Assets:

Furniture & Equipment		2,881
Less: Accumulated Depreciation		(2,227)
Net Fixed Assets		654

Total Assets	\$	448,052
---------------------	----	---------

Liabilities and Net Assets

Current Liabilities:

Payroll Liabilities	\$	10,081
Sales Tax Payable		101
Total Current Liabilities		10,182

Net Assets:

Unrestricted Net Assets		425,985
Temporarily Restricted Net Assets		11,885
Total Net Assets		437,870

Total Liabilities and Net Assets	\$	448,052
---	----	---------

Exile International
Statement of Activities and Changes in Net Assets
For the Year Ended October 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions from Individuals	\$ 353,460	\$ 55,423	\$ 408,883
Contributions from Businesses	390,051	19,960	410,011
Contributions from Churches	38,534	-	38,534
Contributions from Foundations	40,515	18,075	58,590
Merchandise Sales (Net)	4,554	-	4,554
Special Events	3,035	-	3,035
Interest Income	13	-	13
Net assets released from Restriction	<u>141,063</u>	<u>(141,063)</u>	<u>-</u>
Total Revenues and Support	<u>971,225</u>	<u>(47,605)</u>	<u>923,620</u>
Expenses:			
Program Services	522,760	-	522,760
Fundraising	17,619	-	17,619
General and Administrative	<u>71,789</u>	<u>-</u>	<u>71,789</u>
Total Expenses	<u>612,168</u>	<u>-</u>	<u>612,168</u>
Change in Net Assets	359,057	(47,605)	311,452
Net Assets, Beginning of the Year	<u>66,928</u>	<u>59,490</u>	<u>126,418</u>
Net Assets - End of the Year	<u>\$ 425,985</u>	<u>\$ 11,885</u>	<u>\$ 437,870</u>

Exile International
Statement of Cash Flows
For the Year Ended October 31, 2016

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 311,452
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	411
Decrease in Inventory	3,547
Increase in Payroll & Accrued Expense Liabilities	5,037
Increase in Sales Tax Payable	101
Total Adjustments	<u>9,096</u>
Net Cash Provided by Operating Activities	320,548
Cash, Beginning of the Year	<u>115,051</u>
Cash, End of Year	<u><u>\$ 435,599</u></u>
 Supplemental Cash Flow Information:	
Interest Paid	\$ -

Exile International
Statement of Functional Expenses
For the Year Ended October 31, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Compensation & Wages	\$ 116,047	\$ 41,103	\$ 6,380	\$ 163,530
Child Sponsorships	147,964	-	-	147,964
Facilities Program	36,712	-	-	36,712
Food&Water Program	34,500	-	-	34,500
Travel	26,081	2,114	1,683	29,878
Children of Peace Support	31,008	-	-	31,008
Medical Program	22,290	-	-	22,290
Other Support	21,684	-	-	21,684
Scholarships	18,762	-	-	18,762
Bank&Credit Card Processing	6,484	10,397	-	16,881
Gifts	15,502	793	-	16,295
Supplies	12,458	3,282	210	15,950
Peace Lives Center	12,317	-	-	12,317
Advertising&Marketing	2,937	41	8,833	11,811
Professional Development	5,780	1,685	-	7,465
Other Expenses	2,633	5,004	(434)	7,203
Office Expenses	3,090	3,461	503	7,054
Rent	1,776	3,498	444	5,718
Sponsorships	2,835	-	-	2,835
Repair & Maintenance	1,900	-	-	1,900
Depreciation Expense	-	411	-	411
Total Functional Expenses	<u>\$ 522,760</u>	<u>\$ 71,789</u>	<u>\$ 17,619</u>	<u>\$ 612,168</u>

Exile International

Notes to Financial Statements

October 31, 2016

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, 2016, there were \$11,885 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, 2016, 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
-----------------------	-------------

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 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, 2016.

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 – CONCENTRATIONS

During the year ended October 31, 2016 the Organization received \$300,000, or 33%, of its contributions from one donor.

NOTE 5 – 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, 2016 are as follows:

Merchandise Sales	\$25,882
Cost of Sales	21,328
Merchandise Sales (net)	<u>\$4,554</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 1, 2017, the date that the financial statements were available to be issued.