



Audit Report & Financial
Statements October 31, 2018

EXILE INTERNATIONAL

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October 31, 2018

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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 financial statements of Exile International (the Organization), a nonprofit organization, which comprise the statement of financial position as of October 31, 2018, 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.

(Auditor's report continued on next page)

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 Exile International, as of October 31, 2018, 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.

Puryear & Noonan, CPAs
Nashville, Tennessee
August 12, 2019

Exile International
Statement of Financial Position
October 31, 2018

Assets

Current Assets	
Cash	\$ 381,805
Accounts receivable	50,000
Inventory	9,371
Total Current Assets	441,176
 Property and Equipment	
Furniture and equipment	2,881
Less - Accumulated depreciation	(2,881)
Net Property and Equipment	-
 Total Assets	 \$ 441,176

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 17,747
Payroll liabilities	56,458
Sales tax payable	197
Total Current Liabilities	74,402
 Net Assets	
Without donor restrictions	210,884
With donor restrictions	155,890
Total Net Assets	366,774
 Total Liabilities and Net Assets	 \$ 441,176

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

Exile International
Statement of Activities and Changes in Net Assets
For the Year Ended October 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions from individuals	\$ 350,847	\$ 286,382	\$ 637,229
Contributions from businesses	88,011	11,400	99,411
Contributions from churches	40,276	11,274	51,550
Contributions from foundations	117,954	68,495	186,449
Merchandise sales, net	2,417	-	2,417
Interest income	72	-	72
Other income	57	-	57
Net assets released from restriction	280,182	(280,182)	-
Total Revenues and Support	<u>879,816</u>	<u>97,369</u>	<u>977,185</u>
Expenses			
Program services	734,690	-	734,690
Fundraising	93,607	-	93,607
General and administrative	180,718	-	180,718
Total Expenses	<u>1,009,015</u>	<u>-</u>	<u>1,009,015</u>
Change in Net Assets	(129,199)	97,369	(31,830)
Net Assets - Beginning of Year	<u>340,083</u>	<u>58,521</u>	<u>398,604</u>
Net Assets - End of the Year	<u>\$ 210,884</u>	<u>\$ 155,890</u>	<u>\$ 366,774</u>

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

Exile International
Statement of Cash Flows
For the Year Ended October 31, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ (31,830)
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities	
Depreciation	242
Increase in account receivables	(50,000)
Decrease in inventory	443
Increase in accounts payable	17,747
Increase in payroll and accrued expense liabilities	36,306
Increase in sales tax payable	194
	<hr/>
Net Cash Used for Operating Activities	(26,898)
Cash - Beginning of Year	<hr/> 408,704
Cash - End of Year	<hr/> <hr/> \$ 381,806

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

Exile International
Statement of Functional Expenses
For the Year Ended October 31, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and wages	\$ 298,158	\$ 118,285	\$ 46,859	\$ 463,302
In country support	350,541	-	-	350,541
Travel	54,867	12,839	1,710	69,416
Supplies	2,547	2,725	3,542	8,814
Advertising and marketing	2,089	46	21,616	23,751
Bank and credit card processing	9,148	1,316	12,567	23,031
Office expenses	3,618	8,715	2,999	15,332
Professional fees	-	11,589	2,842	14,431
Other expenses	7,390	11,676	1,130	20,196
Rent	2,678	12,147	-	14,825
Gifts	2,435	197	342	2,974
Professional development	1,219	941	-	2,160
Depreciation expense	-	242	-	242
Total Functional Expenses	<u>\$ 734,690</u>	<u>\$ 180,718</u>	<u>\$ 93,607</u>	<u>\$ 1,009,015</u>

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

EXILE INTERNATIONAL
Notes to the Financial Statements
October 31, 2018

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

Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.GAAP). 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 donor 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 maybe 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. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the

Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations

The Statement of Activities 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, 2018.

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, 2018.

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 - includes cost of activities directed toward appeals for financial support, including special event costs including food, space rental, entertainment, communication, wait staff, etc. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

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.

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 for donated assets, at fair value at the date of donation, 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

Significant additions and betterments in excess of \$1,000 are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation expense was \$242 for the year ended October 31, 2018.

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 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, 2018.

Advertising

The Organization expenses advertising costs as incurred. During the year ended October 31, 2018, the Organization expensed \$23,751 of advertising 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 threes 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.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, inventory, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair values.

Note 2 – Adoption of New Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*.

The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. There was no effect in change in the net assets as a result of this adoption.

Note 3 – Liquidity and Availability

The Organization has \$431,805 of financial assets consisting of cash and accounts receivable, of which \$155,852 is subject to donor restrictions, therefore, leaving \$275,953 available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. 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.

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.

Note 5 – Net Assets with Donor Restrictions

Net assets of \$280,182 were released from donor restrictions by incurring expenses satisfying the restrictions specified by the donor in 2018. At October 31, 2018, there was \$155,890 earmarked by donors.

Note 6 – Concentrations

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

Note 7 – Subsequent Events

The Organization has evaluated subsequent events through August 12, 2019, the date the financial statements were available to be issued.

Note 8 – Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*,

which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-4, *Revenue from Contracts with Customers* (Topic 606) – *Deferral of Effective Date*, which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

In February 2016, the FASB issued 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 will be effective for annual reporting periods beginning after December 15, 2019. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2020. The Organization is currently evaluating the impact that adoption of the ASU will have on the Organization's financial position and results of operations.