EXILE INTERNATIONAL, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

OCTOBER 31, 2022

EXILE INTERNATIONAL, INC.

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October 31, 2022

Independent Auditor's Report

The Board of Directors
Exile International, Inc.
Brentwood, Tennessee

Opinion

We have audited the accompanying financial statements of Exile International, Inc. (the Organization), which comprise the statement of financial position as of October 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of October 31, 2022, and the changes in its net assets and cash flows for the years 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. 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 the Organization and 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Auditor's report continued on next page)

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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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Organization'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 the Organization'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.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
May 25, 2023

Exile International, Inc.
Statement of Financial Position
October 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets			
Cash	$ 519,726	$ 377,744	$ 897,470
Pledges receivable - current portion	-	116,437	116,437
Prepaid expenses	6,807	-	6,807
Inventories	12,181	-	12,181
Other assets	2,791	-	2,791
Total Current Assets	541,505	494,181	1,035,686
Property and equipment, net	2,122	-	2,122
Pledges receivable, excluding current portion	-	57,762	57,762
Total Assets	$ 543,627	$ 551,943	$ 1,095,570
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	$ 40,443	$ -	$ 40,443
Payroll and other liabilities	33,338	-	33,338
Total Current Liabilities	73,781	-	73,781
Net Assets			
Without donor restrictions	469,846	-	469,846
With donor restrictions	-	551,943	551,943
Total Net Assets	469,846	551,943	1,021,789
Total Liabilities and Net Assets	$ 543,627	$ 551,943	$ 1,095,570

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

Exile International, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended October 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions from individuals	$ 244,641	$ 395,474	$ 640,115
Contributions from businesses	11,584	-	11,584
Contributions from churches	22,582	-	22,582
Contributions from foundations	365,175	336,259	701,434
Contribution of nonfinancial assets	22,591	-	22,591
Merchandise sales, net	(506)	-	(506)
Interest income	89	-	89
Net assets released from restriction	871,474	(871,474)	-
Total Public Support and Revenue	1,537,630	(139,741)	1,397,889
Expenses			
Program Services			
Program	1,193,133	-	1,193,133
Supporting Services			
Management and general	248,412	-	248,412
Fundraising	133,927	-	133,927
Total Expenses	1,575,472	-	1,575,472
Change in Net Assets	(37,842)	(139,741)	(177,583)
Net Assets - Beginning of Year	507,688	691,684	1,199,372
Net Assets - End of Year	$ 469,846	$ 551,943	$ 1,021,789

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

Exile International, Inc.
Statement of Cash Flows
For the Year Ended October 31, 2022

Cash Flows from Operating Activities	
Change in Net Assets	$ (177,583)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities	
Depreciation	476
(Increase) Decrease in Operating Assets	
Pledges receivable	53,737
Prepaid expenses	(1,965)
Inventories	864
Other assets	(2,791)
Increase (Decrease) in Operating Liabilities	
Accounts payable	31,756
Payroll and other liabilities	(18,198)
Net Cash Provided by (Used for) Operating Activities	(113,704)
Cash Flows from Investing Activities	
Purchases of property and equipment	(2,598)
Net Cash Used for Investing Activities	(2,598)
Decrease in Cash	(116,302)
Cash - Beginning of Year	1,013,772
Cash - End of Year	$ 897,470

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

Exile International, Inc.
Statement of Functional Expenses
For the Year Ended October 31, 2022

	Program	Supporting Services: Management General	Supporting Services: Fundraising	Total
Salaries and wages	$ 441,340	$ 160,487	$ 66,870	$ 668,697
In country support	689,018	-	-	689,018
Travel	6,281	1,486	7,199	14,966
Bank and credit card processing	7,005	506	16,039	23,550
Gifts	2,915	4,007	448	7,370
Supplies	19,022	7,134	2,732	28,888
Advertising and marketing	6,816	-	-	6,816
Professional development	224	5,640	-	5,864
Other expenses	965	18,278	12,035	31,278
Office expenses	18,547	14,849	28,604	62,000
Rent	-	22,341	-	22,341
Depreciation	-	476	-	476
Professional fees	1,000	13,208	-	14,208
Total Expenses	$ 1,193,133	$ 248,412	$ 133,927	$ 1,575,472
Percent of Total Expenses	76%	16%	8%	

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

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 accompanying financial statements of the Organization are prepared using the accrual basis of accounting, under which revenues are recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

Financial Statement Presentation
The accompanying financial statements of the Organization report its financial information according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be extended 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 (the Board). The Board has not designated any funds in 2022.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor 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. Non-operating activities are limited to resources that generate return from donor-restricted contributions, net assets released for capital expenditure, 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, 2022.

Program and Supporting Services - Functional Expenses
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 - 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.

Use of Estimates
Management and the Organization have 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 these estimates.

Fair Value Measurements
The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, with 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 established a fair value hierarchy that prioritized 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 fair value 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 accounts, pledges receivable, and liabilities. For these financial instruments, carrying values approximate fair value.

Contributions and Pledges Receivable

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectibility. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges is recorded when the Organization determines, based on historical experience and collection efforts, that a contribution receivable is uncollectible. No allowance for uncollectible pledge receivables was considered necessary as of October 31, 2022.

Inventories

Inventories consist of books, jewelry, and apparel purchased for resale and are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out (FIFO) method. Net realizable value is based on the selling price.

Property and Equipment

Property and equipment are stated at cost or, if donated, at their estimated market value at the date of gift, less accumulated depreciation. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Property and equipment are depreciated over five to seven.

Expenditures for maintenance and repairs and items less than $2,500 are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in other income on the Statement of Activities and Changes in Net Assets.

Right-of-Use Assets and Liabilities
Right-of-use assets (ROU) represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and liabilities are recognized at commencement date based on the present value of future lease payments over the lease term, which includes only payments that are fixed and determinable at the time of commencement. The Organization's policy is to apply a risk-free rate as the discount rate used to measure lease liabilities and ROU assets. For other classes of underlying leased assets, the Organization applies the interest rate implicit in the lease, if available, or the Organization's incremental borrowing rate. The ROU asset includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain the the Organization will exercise such options.

Revenue Recognition

Contributions
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.

Grants
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.

Contributions of NonFinancial Assets
The Organization recognizes contributed nonfinancial assets within revenues in the Statement of Activities and Changes in Net Assets consisting of office rent space. Unless otherwise noted, contributed nonfinancial assets do not have any donor-imposed restrictions. The Organization records contributed nonfinancial assets at fair value when determinable, otherwise at value

indicated by the donor, if material.

The Organization estimated the value of the contributed office rent to be $22,341 and included as both revenues and expenses in inkind rent on the Statement of Activities and Changes in Net Assets and in-kind rent expense on the Statement of Functional Expenses (See Note 8).

Income Taxes
The Organization is exempt from income taxes under the provisions of Internal Revenue Code Section (IRCS) 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

The Organization follows FASB 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50% that the full amount of the tax position taken will be ultimately realized. Therefore, management believes that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns for the three most recent years filed, or expected to be taken in the Organization's tax return. The Organization identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by either of these jurisdictions. As of October 31, 2022, the Organization has accrued no interest and no penalties related to uncertain tax positions.

Advertising and Promotion Costs
Advertising and promotion costs are expensed as incurred and costs of $6,816 were expensed during 2022.

Events Occurring After Reporting Date
The Organization has evaluated events and transactions that occurred between November 1, 2022 and May 25, 2023 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 2 - Adoption of New Accounting Pronouncement

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU 2020-07 was issued to increase the transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in an Organization’s programs and other activities. The Organization adopted the new standard effective November 1, 2021. There was no effect on the Statement of Activities and Changes in Net Assets as a result of this adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements. ASU 2016-02 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition* to Topic 842; ASU 2018-10, *Codification*

Improvements to Topic 842, *Leases*; and ASU 2018-11, *Targeted Improvements*. ASU 2016-02 establishes a (ROU) that requires a lessee to recognize a ROU asset and lease liability on the Statement of Financial Position for all leases with a term longer than 12 months. Leases are also classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the Statement of Activities and Changes in Net Assets. The Organization adopted the new standard early on November 1, 2021 using the optional alternative method of adoption. This method allows the Organization to apply the new requirements to only those leases that exist as of November 1, 2021. There was no effect on the Statement of Activities and Changes in Net Assets as a result of this adoption.

Using the adoption of the new lease standard, the Organization has elected to apply the following package of practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- Initial direct costs need not be reassessed.

The Organization has also elected the following practical expedients: (1) not to separate lease components from non-lease components, (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less, (3) the use of hindsight in determining the lease term and in assessing impairment of ROU assets, and (4) to apply the option not to assess whether existing or expired land easements that were not previously evaluated are or contain a lease.

At October 31, 2022, the Organization had no significant ROU assets and liabilities that extended beyond 12 months.

From time-to-time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Organization adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoptions.

Note 3 - Availability and Liquidity

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, are as follows:

Cash	$ 897,470
Pledges receivable - current	116,437
Total financial assets	1,013,907
Less - Net Assets with donor restrictions	(551,943)
Financial assets available to meet general expenditures over the next twelve months	$ 461,964

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 come due.

Note 4 - Unconditional Promises to Give

Unconditional promises to give, which are not funded until a subsequent year and are donor restricted, at October 31, 2022, represent pledges for donations or grants as follows:

Payable in one year	$ 116,437
Payable in one to three years	57,762
	$ 174,199

The long-term portion of these receivables have been discounted by $2,238 using a discount rate of 3.73% based on the U.S. Treasury yield rate. The discount will be amortized as the receivables are collected to contribution revenue.

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

Subject to expenditure for specified purposes:		
Excellence in Giving	$	53,333
Hope Wins		195,570
Other		303,040
	$	551,943

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors at October 31, 2022 as follows:

Excellence in Giving	$	100,000
Hope Wins		164,676
Other		606,798
	$	871,474

Note 6 - Credit Risk and Other Concentrations

The Organization maintains its checking and savings accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. The standard FDIC insurance amount is limited to $250,000 per depositor, per insured bank. Therefore, amounts in excess of this $250,000 held by the Organization as of, and during the year ended October 31, 2022 were uninsured and collateralized.

Note 7 - Concentrations

The Organization received 21% of total revenues and support from one organization in 2022. As of October 31, 2022, two donors accounted for the total pledges receivable.

Note 8 - Commitments

On July 1, 2022, the Organization entered into an annual lease agreement for office space for $923 per month, beginning August 1, 2022 with the first 3 months being rent free.