EXILE INTERNATIONAL

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

OCTOBER 31, 2019

EXILE INTERNATIONAL

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October 31, 2019

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, 2019, 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

(Auditor's report continued on next page)

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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.

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, 2019, and the changes in its net assets, its cash flows, and its functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
August 6, 2020

EXILE INTERNATIONAL
Statement of Financial Position
October 31, 2019

Assets

Current Assets		
Cash	$	441,950
Pledge receivable - current		50,000
Inventory		9,371
Total Current Assets		501,321
Pledge receivable - long-term		50,000
Total Assets	$	551,321

Liabilities and Net Assets

Current Liabilities		
Accounts payable	$	27,110
Payroll and other liabilities		50,273
Total Current Liabilities		77,383
Net Assets		
Without donor restrictions		153,209
With donor restrictions		320,729
Total Net Assets		473,938
Total Liabilities and Net Assets	$	551,321

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions from individuals	$ 38,628	$ 452,758	$ 491,386
Contributions from businesses	127,296	14,400	141,696
Contributions from churches	28,532	18,000	46,532
Contributions from foundations	235,034	172,500	407,534
Merchandise sales, net	1,765	-	1,765
Interest income	82	-	82
Net assets released from restriction	492,781	(492,781)	-
Total Revenues and Support	924,118	164,877	1,088,995
Expenses			
Program services	719,419	-	719,419
Fundraising	76,692	-	76,692
General and administrative	185,720	-	185,720
Total Expenses	981,831	-	981,831
Change in Net Assets	(57,713)	164,877	107,164
Net Assets - Beginning of Year	210,922	155,852	366,774
Net Assets - End of Year	$ 153,209	$ 320,729	$ 473,938

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

EXILE INTERNATIONAL
Statement of Cash Flows
For the Year Ended October 31, 2019

Cash Flows from Operating Activities		
Change in net assets	$	107,164
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities		
(Increase) decrease in pledge receivable		(50,000)
Increase (decrease) in accounts payable		9,363
Increase (decrease) in payroll and other liabilities		(6,382)
Net Cash Provided by (Used for) Operating Activities		60,145
Cash - Beginning of Year		381,805
Cash - End of Year	$	441,950

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

EXILE INTERNATIONAL
Statement of Functional Expenses
For the Year Ended October 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Compensation and wages	$ 292,549	$ 115,051	$ 38,629	$ 446,229
In country support	383,127	-	-	383,127
Travel	11,630	-	3,087	14,717
Bank and credit card processing	7,190	1,387	11,280	19,857
Gifts	1,514	831	1,531	3,876
Supplies	2,179	4,010	816	7,005
Advertising and marketing	6,705	-	12,397	19,102
Professional development	403	18,701	-	19,104
Other expenses	1,584	6,948	5,571	14,103
Office expenses	8,372	15,724	3,381	27,477
Rent	2,266	12,299	-	14,565
Professional fees	1,900	10,769	-	12,669
Total Functional Expenses	$ 719,419	$ 185,720	$ 76,692	$ 981,831

See independent auditor's report and accompanying notes to the 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 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 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. 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 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, 2019.

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, 2019.

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.

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, 2019.

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. Property and equipment were fully depreciated in 2018; therefore, there was no depreciation expense the year ended October 31, 2019.

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.

Revenue Recognition
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.

Revenue 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.

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.

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.

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, 2019.

Advertising
The Organization expenses advertising costs as incurred. During the year ended October 31, 2019, the Organization expensed $19,102 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 date.

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, pledge 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 May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, (Topic 605), and most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, which requires deferral of incremental costs of obtaining a contract with a customer. Collectively, Topic 606 and Subtopic 340-40 are referred to as the "new standard." The Organization adopted the new standard effective November 1, 2018. There was no effect on change in net assets as a result of this adoption.

On November 1, 2018, the Organization adopted ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarified the guidance on accounting for grants and contracts of nonprofit organizations and aims to minimize diversity in the classification of grants and contracts that exist under current guidance. The ASU also clarified the criteria for evaluating whether contributions are unconditional or conditional. There was no effect in change in net assets as a result of this adoption.

Note 3 – Liquidity and Availability

The Organization has $491,950 of financial assets consisting of cash and a pledge receivable, of which $320,729 is subject to donor restrictions, therefore, leaving $171,221 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 – Unconditional Promises to Give

Unconditional promises to give as of October 31, 2019 are classified as net assets with donor restrictions. These unconditional promises to give are to be received by the Organization for years subsequent to October 31, 2019 as follows:

Receivable due in one year	$ 50,000
Receivable due in one to five years	50,000
	$100,000

Note 5 – 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 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended October 31, 2019 are as follows:

Subject to expenditure for specified purposes or time

Hope Wins	$78,426
Caring for Congo	7,301
PLC Caregiver Fund	24,081
Esther Fund	32,226
Excellence in Giving	18,700
Individual Child Sponsorships	20,131
Joseph Medical Fund	22,167
Well Project	7,500
Other	110,197
	$320,729

Net assets released from donor restrictions for the year ended October 31, 2019 are as follows:

Satisfaction of program restrictions

Hope Wins	$114,837
Caring for Congo	53,460
Cornerstone Foundation	22,870
University Sponsorships	20,764
Bebout Family Foundation	15,000
PLC Caregiver Fund	34,749
Esther Fund	45,465
Excellence in Giving	31,300
Individual Child Sponsorships	104,300
Joseph Medical Fund	25,136
Other	24,900
	$492,781

Note 7 – Concentrations

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

Note 8 – Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, virtually all of the jurisdictions in the U.S. have declared a state of emergency and have declared a "shelter in place" mandate for all residents and closure of all non-essential businesses. It is anticipated that these impacts will continue for some time. The further effects of these issues are unknown.

On March 27, 2020, the Coronavirus Air, Relief, and Economic Security Act (the CARES Act) was signed into law. One of the features of the CARES Act is the Payroll Protection Program (PPP). The Organization has applied for and received a PPP loan in the amount of $57,112. This loan will be forgiven if the Organization does the following:

1) Spends the funds on eligible expenses such as payroll, interest on already incurred debt, rent, and utilities during the defined covered period after the funding of the loan, and
2) Spends less than 40% of the funds on non-payroll type eligible expenses.

The amount of the loan that is not forgiven will be converted to a five-year loan at 1% interest.

The Organization has evaluated subsequent events through August 6, 2020, the date the financial statements were available to be issued.

Note 9 – Recent Accounting Pronouncements

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, 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, 2022. The Organization is currently evaluating the impact that adoption of the ASU will have on the Organization's financial position and results of operations.