

**EXODUS CRY, INC.
AND
SUBSIDIARIES**

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2014

EXODUS CRY, INC. AND SUBSIDIARIES

DECEMBER 31, 2014

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EMERICK & COMPANY, P.C.

David Emerick CERTIFIED PUBLIC ACCOUNTANTS, AUDITING AND TAX PROFESSIONALS
Rick Hann

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Exodus Cry, Inc.
Grandview, Missouri**

We have audited the accompanying consolidated financial statements of Exodus Cry, Inc. (a nonprofit organization) and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and cash flows 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Exodus Cry, Inc. and subsidiaries as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 7 to the financial statements, a correction of capitalized documentary costs was recorded due to costs that were improperly not allocated to an intangible asset.

Enechuk + Company, P.C.

July 17, 2015
Kansas City, MO

EXODUS CRY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 281,192
Prepaid expenses	20,595
Deposits	1,275
Inventory	27,747
Total Current Assets	<u>330,809</u>

PROPERTY AND EQUIPMENT, at cost

Buildings	645,761
Equipment and furniture	225,065
Vehicles	3,689
	<u>874,514</u>
Accumulated depreciation	(226,753)
Net Property and Equipment	<u>647,761</u>

OTHER ASSETS

Intangible asset-documentary film	590,544
Accumulated amortization	(465,885)
	<u>124,658</u>
Work in progress-documentary film	582,232
Total Other Assets	<u>706,890</u>

TOTAL ASSETS

\$ 1,685,460

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 43,892
Deferred revenue	1,862
Accrued expenses	7,503
Total Current Liabilities	<u>53,257</u>

NET ASSETS

Unrestricted	1,500,443
Temporarily restricted	131,760
Total Net Assets	<u>1,632,203</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,685,460

See Notes to Financial Statements

EXODUS CRY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 776,168	\$ 331,229	\$ 1,107,397
Event income	24,560	-	24,560
Sales, net	93,907	-	93,907
Licenses	36,412	-	36,412
Royalties	8,628	-	8,628
Rental income	9,526	-	9,526
Interest	3,788	-	3,788
In Kind	1,903	-	1,903
Net assets released from restrictions	<u>382,806</u>	<u>(382,806)</u>	<u>-</u>
Total Support and Revenue	<u>1,337,698</u>	<u>(51,577)</u>	<u>1,286,121</u>
EXPENSES			
Program services	939,693	-	939,693
Supporting services			
Management and general	215,791	-	215,791
Fundraising	<u>118,752</u>	<u>-</u>	<u>118,752</u>
Total Expenses	<u>1,274,236</u>	<u>-</u>	<u>1,274,236</u>
Gain on disposal of assets	11,131	-	11,131
CHANGE IN NET ASSETS	<u>74,593</u>	<u>(51,577)</u>	<u>23,016</u>
NET ASSETS, Beginning of year restated (Note 7)	<u>1,425,850</u>	<u>183,337</u>	<u>1,609,187</u>
NET ASSETS, End of year	<u>\$ 1,500,443</u>	<u>\$ 131,760</u>	<u>\$ 1,632,203</u>

See Notes to Financial Statements

EXODUS CRY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 23,016
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	151,942
Gain on disposal of assets	(11,131)
Changes in:	
Accounts receivable	20,224
Prepaid expenses	(9,424)
Deposits	2,590
Inventory	(10,295)
Accounts payable	6,789
Deferred revenue	1,862
Accrued expenses	<u>(12,505)</u>
Net cash provided by operating activities	<u>163,068</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchases and disposals of property and equipment	(1,187)
Work in progress-documentary	<u>(150,730)</u>
Net cash used in investing activities	<u>(151,917)</u>

DECREASE IN CASH AND CASH EQUIVALENTS

11,151

CASH AND CASH EQUIVALENTS, Beginning of year

270,041

CASH AND CASH EQUIVALENTS, End of year

\$ 281,192

See Notes to Financial Statements

EXODUS CRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Exodus Cry, Inc. (the Organization) is built on a foundation of prayer and is committed to abolishing sex slavery through Christ-centered prevention, intervention, and holistic restoration of trafficking victims.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiaries, Nefarious, LLC, Nefarious2, LLC, and Magic Lantern Rentals, LLC for-profit companies. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Accounts Receivable

The Organization feels that all accounts receivable shown in these financial statements are collectible, therefore no allowance for doubtful accounts has been provided.

Inventory

DVDs, CDs, clothing and other merchandise are valued at the lower of cost or market.

Intangible Asset - Documentary

The intangible asset (documentary) is carried at cost. Amortization is computed using a ratio applied to sales. The ratio was calculated based on management's determination to have the asset fully amortized at one million in sales. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

Contributions

Contributions are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met by activities of the Organization or the passage of time.

Property and Equipment

The Organization capitalizes equipment over \$1,000 at cost. Lesser amounts are expensed. Property and equipment is being depreciated over estimated useful lives of 3 to 25 years using the straight-line method.

**EXODUS CRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through July 17, 2015, which is the date the financial statements were available to be issued.

NOTE 2: INCOME TAXES

The organization has received an exemption from the Internal Revenue Service (IRS) from federal income taxes under Section 501(a), as an entity described in Section 501(c)(3) of the Internal Revenue Code. The organization is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose. For the years ended December 31, 2014, no income was recognized for purposes unrelated to the exempt purpose of the organization, therefore, no related tax expense has been recorded. The organization files IRS Form 990 annually with the federal government and is still open to examination by taxing authorities for 2013, 2012 and 2011.

NOTE 3: IN-KIND

The Organization recognized revenue and expenses for certain donated supplies for the year ended December 31, 2014. These items were recorded in the statement of activities based on their fair market value at the time of donation.

NOTE 4: LEASES

The Organization entered into an operating lease for a copier in September 2013 for a monthly lease of \$246. The copier lease will expire in December 2016. Rent expense for the copier was \$7,748 for the year ended December 31, 2014.

Future minimum lease payments are as follows:

2015	\$	2,952
2016		<u>2,706</u>
Total Future Minimum Lease Payments	\$	<u>5,658</u>

EXODUS CRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were held for the following purpose at December 31, 2014:

Nefarious II documentary	\$	131,760
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NOTE 6: LINE OF CREDIT

The Organization entered into a line of credit with a financial institution with a maximum borrowing limit of \$100,000. The line bears interest at 6.5%. The line is collateralized by substantially all of the Organization's assets. No balance is due at December 31, 2014.

NOTE 7: PRIOR PERIOD ADJUSTMENT

As a result of internal review of capitalized work in progress costs, the Organization discovered costs that were improperly not allocated to the Organization's first documentary. The effect of the correction was to decrease the change in net assets for 2013 by \$13,059. The cumulative effect decreases beginning unrestricted net assets for 2014 by \$49,196.

The effect of the restatement on the change in unrestricted net assets and financial position as of and for the year ended December 31, 2013 is as follows:

	As previously reported	Restated
Amortization expense	\$ 95,110	\$ 108,169
Change in net assets	(41,696)	(54,755)
Intangible asset – documentary film	519,251	590,544
Accumulated amortization	358,312	407,508
Work in progress – documentary film	502,294	431,001
Unrestricted net assets	1,475,046	1,425,850
Net assets	1,658,383	1,609,187

EXODUS CRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8: EXPENSES BY CATEGORY

The cost of providing various programs and supporting services of the Organization have been reported on a functional basis. The costs on a natural basis are presented below.

Contributions	\$ 37,343
Transaction fees	33797
Contract fees	29312
Non capitalized equipment	15,584
Equipment rental and maintenance	9,890
Occupancy	112,481
Insurance	35,785
Professional fees and contract labor	152,613
Travel	66,845
Office	36,942
Advertising and marketing	17,660
Personnel costs	559,599
Depreciation and amortization	151,942
Other	<u>14,446</u>
Total	<u>\$ 1,274,236</u>