

**EXODUS CRY, INC.
AND
SUBSIDIARIES**

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

DECEMBER 31, 2016

EXODUS CRY, INC. AND SUBSIDIARIES

DECEMBER 31, 2016

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING AND TAX PROFESSIONALS

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, 2016, 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, 2016, 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.

Emerich + Company, P.C.

August 23, 2017
Kansas City, Missouri

EXODUS CRY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 412,290
Accounts receivable	35,902
Prepaid expenses	9,055
Deposits	325
Inventory	24,145
Total Current Assets	<u>481,717</u>

PROPERTY AND EQUIPMENT, at cost

Buildings	645,761
Equipment and furniture	233,464
Vehicles	3,689
	<u>882,914</u>
Accumulated depreciation	(330,932)
Net Property and Equipment	<u>551,982</u>

OTHER ASSETS

Intangible asset-documentary film	590,544
Accumulated amortization	(518,513)
	<u>72,031</u>
Work in progress-documentary film	1,004,517
Total Other Assets	<u>1,076,548</u>

TOTAL ASSETS

\$ 2,110,247

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 21,014
Accrued expenses	5,328
Total Current Liabilities	<u>26,342</u>

NET ASSETS

Unrestricted	2,081,616
Temporarily restricted	2,289
Total Net Assets	<u>2,083,905</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,110,247

See Notes to Financial Statements

EXODUS CRY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 1,077,974	\$ 84,431	\$ 1,162,405
Event income	51,635	-	51,635
Sales, net	37,522	-	37,522
Licenses	15,065	-	15,065
Royalties	2,603	-	2,603
Rental income	505	-	505
Interest	90	-	90
Other Income	1,287	-	1,287
Net assets released from restrictions	104,966	(104,966)	-
Total Support and Revenue	<u>1,291,647</u>	<u>(20,535)</u>	<u>1,271,112</u>
EXPENSES			
Program services	600,442	-	600,442
Supporting services			
Management and general	211,594	-	211,594
Fundraising	136,338	-	136,338
Total Expenses	<u>948,374</u>	<u>-</u>	<u>948,374</u>
Gain on disposal of assets	<u>330</u>	<u>-</u>	<u>330</u>
CHANGE IN NET ASSETS	343,603	(20,535)	323,068
NET ASSETS, Beginning of year	<u>1,738,013</u>	<u>22,824</u>	<u>1,760,837</u>
NET ASSETS, End of year	<u>\$ 2,081,616</u>	<u>\$ 2,289</u>	<u>\$ 2,083,905</u>

See Notes to Financial Statements

**EXODUS CRY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 323,068
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	56,197
Gain on disposal of assets	(330)
Changes in:	
Accounts receivable	(35,902)
Prepaid expenses	13,414
Deposits	1,095
Inventory	(4,351)
Accounts payable	4,477
Accrued expenses	(12,411)
	<u>345,257</u>
Net cash provided by operating activities	<u>345,257</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchases and disposals of property and equipment	(727)
Costs capitalized for documentary film production	(172,207)
	<u>(172,934)</u>
Net cash used in investing activities	<u>(172,934)</u>

INCREASE IN CASH AND CASH EQUIVALENTS

172,323

CASH AND CASH EQUIVALENTS, Beginning of year

239,967

CASH AND CASH EQUIVALENTS, End of year

\$ 412,290

See Notes to Financial Statements

EXODUS CRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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. All significant intercompany accounts and transactions have been eliminated upon consolidation. Each of these entities is a single member limited liability company (SMLLC), with the Organization being the sole member of each entity. Per IRS Announcement 99-102, these SMLLCs are disregarded as entities separate from their owner and take on the tax-exempt status of their owner. For tax purposes, these entities are treated as branches or divisions of the Organization.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

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 considers all accounts receivable shown in these financial statements to be 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 film) 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. The amortization method used and current balances approximate GAAP.

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.

EXODUS CRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 August 23, 2017, 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 files IRS Form 990 annually with the federal government and is still subject to examination by taxing authorities for 2016, 2015 and 2014.

NOTE 3: LEASES

The Organization entered into an operating lease for a copier in September 2016 with a monthly lease payment of \$182. The copier lease will expire in September 2018. Rent expense for the copier was \$2,696 for the year ended December 31, 2016.

Future minimum lease payments are as follows:

2017	\$ 2,184
2018	<u>1,638</u>
	\$ <u><u>3,822</u></u>

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were held for the following purpose at December 31, 2016:

Restoration	\$ 2,289
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EXODUS CRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5: 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, 2016.

NOTE 6: 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	\$ 24,869
Transaction fees	24,129
Contract fees	26,573
Non capitalized equipment	9,272
Equipment rental and maintenance	15,531
Occupancy	52,867
Insurance	30,895
Professional fees and contract labor	111,449
Travel	71,106
Office	22,676
Advertising and marketing	23,216
Personnel costs	455,566
Depreciation and amortization	56,197
Other	<u>24,028</u>
Total	\$ <u>948,374</u>