

**EXODUS CRY, INC.
AND
SUBSIDIARY**

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

DECEMBER 31, 2017

EXODUS CRY, INC. AND SUBSIDIARY

DECEMBER 31, 2017

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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 subsidiary, which comprise the consolidated statement of financial position as of December 31, 2017, 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 subsidiary as of December 31, 2017, 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.

July 17, 2018
Kansas City, Missouri

EXODUS CRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 557,601
Accounts receivable	22
Prepaid expenses	4,892
Deposits	300
Inventory	24,001
Total Current Assets	586,816

PROPERTY AND EQUIPMENT, at cost

Land	42,071
Buildings	603,689
Equipment and furniture	153,342
	799,102
Accumulated depreciation	(283,467)
Net Property and Equipment	515,635

OTHER ASSETS

Intangible asset-documentary film	590,544
Accumulated amortization	(590,544)
	-
Work in progress-documentary film	1,209,545
Total Other Assets	1,209,545

TOTAL ASSETS

\$ 2,311,996

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 39,220
Accrued expenses	8,552
Total Current Liabilities	47,772

NET ASSETS

Unrestricted	2,264,125
Temporarily restricted	99
Total Net Assets	2,264,224

TOTAL LIABILITIES AND NET ASSETS

\$ 2,311,996

See Notes to Consolidated Financial Statements

EXODUS CRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 982,540	\$ 52,098	\$ 1,034,638
Event income	4,138		4,138
Sales, net	54,178		54,178
Licenses	13,969		13,969
Royalties	2,875		2,875
Rental income	159		159
Interest	88		88
Other income	9,370		9,370
Net assets released from restrictions	54,288	(54,288)	-
Total Support and Revenue	<u>1,121,605</u>	<u>(2,190)</u>	<u>1,119,415</u>
EXPENSES			
Program services	707,378	-	707,378
Supporting services			
Management and general	165,687	-	165,687
Fundraising	65,200	-	65,200
Total Expenses	<u>938,265</u>	<u>-</u>	<u>938,265</u>
Loss on disposal of assets	(831)	-	(831)
CHANGE IN NET ASSETS	182,509	(2,190)	180,319
NET ASSETS, Beginning of year	<u>2,081,616</u>	<u>2,289</u>	<u>2,083,905</u>
NET ASSETS, End of year	<u>\$ 2,264,125</u>	<u>\$ 99</u>	<u>\$ 2,264,224</u>

See Notes to Consolidated Financial Statements

**EXODUS CRY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 180,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	105,361
Loss on disposal of assets	831
Changes in:	
Accounts receivable	35,880
Prepaid expenses	4,163
Deposits	25
Inventory	144
Accounts payable	18,206
Accrued expenses	3,224
	<u>348,153</u>
Net cash provided by operating activities	<u>348,153</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchases and disposals of property and equipment	2,186
Costs capitalized for documentary film production	<u>(205,028)</u>
	<u>(202,842)</u>
Net cash used in investing activities	<u>(202,842)</u>

INCREASE IN CASH AND CASH EQUIVALENTS 145,311

CASH AND CASH EQUIVALENTS, Beginning of year 412,290

CASH AND CASH EQUIVALENTS, End of year \$ 557,601

See Notes to Consolidated Financial Statements

EXODUS CRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 subsidiary, Magic Lantern Pictures, LLC (MLP). All significant intercompany accounts and transactions have been eliminated upon consolidation. The subsidiary is a single member limited liability company (SMLLC), with the Organization being the sole member. Per IRS Announcement 99-102, a SMLLC is disregarded as an entity separate from its owner and takes on the tax-exempt status of its owner. For tax purposes, MLP is treated as a branch or division of the Organization. Furthermore, MLP engages in no activity unrelated to the Organization's tax-exempt purposes.

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 net realizable value. In July 2015, the FASB issued Accounting Standards Update 2015-11, Simplifying the Measurement of Inventory ("ASU 2015-11") which required that inventory within the scope of this update, including inventory stated at average cost, be measured at the lower of cost and net realizable value. This update is effective for financial statements issued for fiscal years beginning after December 15, 2016. The adoption of ASU 2015-11 did not impact the Organization's financial position.

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.

EXODUS CRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 to year-end, the organization entered into a license agreement with Netflix for the live action documentary “Liberated: The New Sexual Revolution”. The license period for the documentary began on the effective date of the contract, February 1, 2018, and is to continue thereafter in perpetuity. The license fee shall be in the amount of \$800,000 and is payable as follows: thirty percent upon complete delivery and full execution of the license agreement, and 70% in equal quarterly installments over a period of 24 months, with the first such quarterly payment due by the 15th day of the calendar month in which the start date occurs and each subsequent quarterly payment due by the 15th day of every third month after such initial payment. Subsequent events have been evaluated through July 17, 2018, 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 2017, 2016 and 2015.

**EXODUS CRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 \$2,218 for the year ended December 31, 2017.

The future minimum lease payments for 2018 total \$1,638.

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were held for the following purpose at December 31, 2017:

Restoration	\$ 99
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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 was outstanding at December 31, 2017.

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	\$ 11,270
Transaction fees	21,302
Contract fees	40,478
Non capitalized equipment	15,013
Equipment rental and maintenance	4,212
Occupancy	34,594
Insurance	28,616
Professional fees and contract labor	194,883
Travel	26,064
Office	18,860
Advertising and marketing	28,408
Personnel costs	396,908
Depreciation and amortization	105,361
Other	<u>12,296</u>
Total	\$ <u>938,265</u>

EXODUS CRY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2017, the Organization had \$270,400 in excess of the FDIC insured limit.