

EXTREME RESPONSE INTERNATIONAL, INC.

FINANCIAL REPORT

DECEMBER 31, 2018

EXTREME RESPONSE INTERNATIONAL, INC.

FINANCIAL REPORT DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees of
Extreme Response International, Inc.
Snellville, Georgia**

We have audited the accompanying financial statements of **Extreme Response International, Inc.** (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 entity'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 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 Extreme Response International, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 28, 2019

EXTREME RESPONSE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash	\$ 903,053	\$ 1,104,055
Other receivables	23,430	41,691
Other current assets	21,090	3,158
Current portion of prepaid rent	4,852	4,852
Total current assets	952,425	1,153,756
Property and equipment, net		
Land	42,000	42,000
Buildings	500,024	500,024
Vehicles	45,000	45,000
Software	25,727	-
	612,751	587,024
Less accumulated depreciation	(178,755)	(164,636)
Total property and equipment, net	433,996	422,388
Other noncurrent assets		
Security deposits and reserves	1,000	14,602
Prepaid rent	78,448	83,300
Total other noncurrent assets	79,448	97,902
Total assets	\$ 1,465,869	\$ 1,674,046
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 21,982	\$ 44,960
Current maturities of notes payable	23,366	22,454
Unearned revenue	4,050	-
Total current liabilities	49,398	67,414
Non-current liabilities		
Notes payable	142,664	166,030
Total liabilities	192,062	233,444
Net assets		
Without donor restrictions	352,138	478,752
With donor restrictions	921,669	961,850
Total net assets	1,273,807	1,440,602
Total liabilities and net assets	\$ 1,465,869	\$ 1,674,046

See Notes to Financial Statements.

EXTREME RESPONSE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 428,534	\$ 2,616,275	\$ 3,044,809
In-kind contributions	59,726	-	59,726
Interest income	1,806	-	1,806
Total revenues	490,066	2,616,275	3,106,341
Net assets released from restrictions:			
Satisfaction of program restrictions	2,656,456	(2,656,456)	-
Total revenues and other support	3,146,522	(40,181)	3,106,341
EXPENSES			
Program services			
Manila programs	308,175	-	308,175
Quito programs	420,298	-	420,298
Christmas celebrations	128,624	-	128,624
Leadership community	150,390	-	150,390
Other programs	1,412,017	-	1,412,017
Total program services	2,419,504	-	2,419,504
Supporting services			
Administration and general	713,325	-	713,325
Fundraising	140,307	-	140,307
Total supporting services	853,632	-	853,632
Total expenses	3,273,136	-	3,273,136
CHANGE IN NET ASSETS	(126,614)	(40,181)	(166,795)
NET ASSETS, BEGINNING OF YEAR	478,752	961,850	1,440,602
NET ASSETS, ENDING OF YEAR	\$ 352,138	\$ 921,669	\$ 1,273,807

See Notes to Financial Statements.

EXTREME RESPONSE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 422,763	\$ 2,803,694	\$ 3,226,457
In-kind contributions	24,360	-	24,360
Interest income	198	-	198
Total revenues	447,321	2,803,694	3,251,015
Net assets released from restrictions:			
Satisfaction of program restrictions	2,547,443	(2,547,443)	-
Total revenues and other support	2,994,764	256,251	3,251,015
EXPENSES			
Program services			
Manila programs	340,024	-	340,024
Quito programs	465,552	-	465,552
Christmas celebrations	141,127	-	141,127
Leadership community	226,296	-	226,296
Other programs	1,191,249	-	1,191,249
Total program services	2,364,248	-	2,364,248
Supporting services			
Administration and general	425,213	-	425,213
Fundraising	214,713	-	214,713
Total supporting services	639,926	-	639,926
Total expenses	3,004,174	-	3,004,174
CHANGE IN NET ASSETS	(9,410)	256,251	246,841
NET ASSETS, BEGINNING OF YEAR	488,162	705,599	1,193,761
NET ASSETS, ENDING OF YEAR	\$ 478,752	\$ 961,850	\$ 1,440,602

See Notes to Financial Statements.

EXTREME RESPONSE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			
	Manila Programs	Quito Programs	Christmas Celebrations	Leadership Community	Other Programs	Total	Administration and General	Fundraising	Total
Compensation and related expenses									
Management compensation	\$ 21,050	\$ 133,168	\$ -	\$ -	\$ 42,463	\$ 196,681	\$ 41,041	\$ 53,046	\$ 290,768
Staff compensation	91,947	166,790	52,508	13,900	578,314	903,459	402,058	11,404	1,316,921
Intern compensation	840	3,783	-	-	18,831	23,454	-	-	23,454
Total compensation and related expenses	113,837	303,741	52,508	13,900	639,608	1,123,594	443,099	64,450	1,631,143
Direct cost of program activities									
Direct program expenses	138,956	13,072	64,426	112,622	674,454	1,003,530	-	-	1,003,530
Emergency relief and assistance	-	19,670	-	-	-	19,670	-	-	19,670
Total direct costs of program activities	138,956	32,742	64,426	112,622	674,454	1,023,200	-	-	1,023,200
Indirect costs									
Automotive	632	4,242	-	112	5,806	10,792	2,428	1,288	14,508
Bank charges	79	1,428	-	-	961	2,468	29,149	-	31,617
Depreciation	-	-	-	-	-	-	14,119	-	14,119
Donations	469	72	-	-	1,046	1,587	-	-	1,587
Dues and fees	10	765	-	360	2,097	3,232	16,970	2,101	22,303
Insurance	4,589	9,449	-	-	1,689	15,727	79,488	462	95,677
Interest	-	1,739	-	-	-	1,739	6,049	-	7,788
Meals and staff development	4,171	6,122	104	1,495	5,232	17,124	6,600	1,161	24,885
Postage and shipping	334	22	-	51	55	462	7,969	6,243	14,674
Professional fees	1,447	21,849	-	2,294	2,493	28,083	30,184	41,863	100,130
Rent	16,786	-	-	10,185	15,620	42,591	25,065	-	67,656
Repairs and maintenance	638	5,482	-	4,191	4,191	10,311	1,240	-	11,551
Supplies	1,863	3,505	1,374	3,603	36,453	46,798	12,578	13,283	72,659
Taxes	2,945	8,090	-	-	1,121	12,156	71	-	12,227
Travel and lodging	20,600	7,009	10,212	5,768	10,927	54,516	18,925	8,781	82,222
Utilities	819	9,203	-	-	9,629	19,651	16,166	675	36,492
Miscellaneous	-	4,838	-	-	635	5,473	3,225	-	8,698
Total indirect costs	55,382	83,815	11,690	23,868	97,955	272,710	270,226	75,857	618,793
Total expenses	\$ 308,175	\$ 420,298	\$ 128,624	\$ 150,390	\$ 1,412,017	\$ 2,419,504	\$ 713,325	\$ 140,307	\$ 3,273,136

See Notes to Financial Statements.

EXTREME RESPONSE INTERNATIONAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services						Supporting Services			Total
	Manila Programs	Quito Programs	Christmas Celebrations	Leadership Community	Other Programs	Total	Administration and General	Fundraising	Total	
Compensation and related expenses										
Management compensation	\$ 40,887	\$ 9,491	\$ -	\$ 58,433	\$ 21,137	\$ 129,948	\$ 110,529	\$ 100,226	\$ 340,703	
Staff compensation	71,408	297,378	49,392	18,491	543,562	980,221	64,107	-	1,044,328	
Intern compensation	7,921	4,147	-	-	16,253	28,321	-	-	28,321	
Total compensation and related expenses	120,216	311,016	49,392	76,924	580,942	1,138,490	174,636	100,226	1,413,352	
Direct cost of program activities										
Direct program expenses	2,418	-	17,121	22,669	433,734	475,942	-	-	475,942	
Emergency relief and assistance	-	-	-	-	15,000	15,000	-	-	15,000	
Total direct costs of program activities	2,418	-	17,121	22,669	448,734	490,942	-	-	490,942	
Indirect costs										
Automotive	2,212	3,696	236	272	8,691	15,107	1,704	1,947	18,758	
Bank charges	32	891	-	-	837	1,760	24,743	-	26,503	
Contribution	108,620	-	-	-	-	108,620	-	-	108,620	
Depreciation	-	-	-	-	-	-	14,119	-	14,119	
Donations	151	920	-	-	565	1,636	100	-	1,736	
Dues and fees	1,868	1,611	-	1,118	270	4,867	26,109	580	31,556	
Insurance	5,271	12,973	2,003	-	3,281	23,528	67,402	-	90,930	
Interest	-	3,764	-	-	-	3,764	5,098	-	8,862	
Meals and staff development	7,358	11,351	15,163	1,354	16,343	51,569	4,948	6,179	62,696	
Postage and shipping	273	24	1,044	1,282	34	2,657	7,817	4,530	15,004	
Professional fees	12,530	24,510	-	4,277	354	41,671	17,149	64,466	123,286	
Rent	19,908	9,961	-	-	-	29,869	36,889	-	66,758	
Repairs and maintenance	1,448	6,579	-	-	14,704	22,731	-	-	22,731	
Supplies	21,006	46,952	21,879	25,742	23,833	139,412	10,458	25,999	175,869	
Taxes	715	1,900	-	-	-	2,615	81	-	2,696	
Travel and lodging	28,309	17,635	34,002	92,658	72,535	245,139	15,604	10,085	270,828	
Utilities	6,398	11,769	51	-	10,631	28,849	16,258	701	45,808	
Miscellaneous	1,291	-	236	-	9,495	11,022	2,098	-	13,120	
Total indirect costs	217,390	154,536	74,614	126,703	161,573	734,816	250,577	114,487	1,099,880	
Total expenses	\$ 340,024	\$ 465,552	\$ 141,127	\$ 226,296	\$ 1,191,249	\$ 2,364,248	\$ 425,213	\$ 214,713	\$ 3,004,174	

See Notes to Financial Statements.

EXTREME RESPONSE INTERNATIONAL, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (166,795)	\$ 246,841
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	14,119	14,119
Donation of property and equipment	(25,727)	-
Decrease (increase) in other receivables	18,261	(17,671)
(Increase) decrease in other current assets	(17,932)	10,128
Decrease in security deposits and reserves	13,602	-
Decrease in prepaid rent	4,852	4,852
(Decrease) increase in accounts payable	(22,978)	21,637
Increase in unearned revenue	4,050	-
	<u>(178,548)</u>	<u>279,906</u>
Net cash (used in) provided by operating activities		
FINANCING ACTIVITIES		
Principal payments made on notes payable	<u>(22,454)</u>	<u>(21,462)</u>
Net cash (used in) financing activities	<u>(22,454)</u>	<u>(21,462)</u>
Net (decrease) increase in cash	<u>(201,002)</u>	<u>258,444</u>
Cash, beginning of year	<u>1,104,055</u>	<u>845,611</u>
Cash, end of year	<u>\$ 903,053</u>	<u>\$ 1,104,055</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 7,833</u>	<u>\$ 8,862</u>

See Notes to Financial Statements.

EXTREME RESPONSE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Extreme Response International, Inc. (the "Organization") was organized on February 22, 2001 as a Georgia non-profit corporation. Extreme Response was organized primarily to assist with certain humanitarian needs throughout the world. The express purpose is to introduce and promote to underdeveloped countries and communities appropriate educational and literacy programs, to respond to the immediate needs of disadvantaged children and families throughout the world, to provide love and compassion and understanding the needs of disadvantaged children and families throughout the world, to sponsor general charitable work, for scientific and educational purposes. The Organization is supported primarily from individual contributions. Exemption from corporate federal income taxes has been granted pursuant to filing and being approved as a 501(c)(3) organization with the IRS.

Basis of Presentation

The Organization's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Property and Equipment

Property and equipment with a purchase price above \$5,000 and a useful life of more than one year are capitalized at cost and are depreciated over estimated useful lives from 3 to 39 years using the straight line depreciation method. Donated assets are capitalized at fair market value or estimated fair market value if a determinable value is not available.

The estimated useful lives for each major class or depreciable capital assets are as follows:

Buildings and improvements	39 years
Furniture, equipment, and vehicles	5-10 years
Software	3 years

Concentration of Credit Risk

The Organization maintains its cash in various financial institutions around the world, which at times may exceed federally-insured limits. At times, the Organization also holds significant amounts of cash at its offices overseas to sustain those operations. The Organization has not experienced any significant losses in such accounts or locations.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

The Organization presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Not-For-Profit* presentation and disclosure guidance. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions which are used to account for resources available to carry out the purposes of the Organization in accordance with the limitations of its bylaws. Board designated net assets are without donor restrictions but are designated by the Board to be spent for specific purposes. At December 31, 2018 and 2017, the Organization had no board designated net assets.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At December 31, 2018 and 2017, the Organization had no donor imposed restrictions that were perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time as elapsed, when the stipulated purpose for which the resource was restriction has been fulfilled, or both.

Revenue Recognition

Grants and contributions are considered net assets without donor restriction and available for general operations unless specifically restricted by the donor. Extreme Response International, Inc. reports gifts and grants of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets as to a particular purpose or to future periods. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In addition to support for its programs, the Organization partners with various organizations throughout the world whereby donations are made to the Organization for the benefit of the partners. The Organization records revenue with donor restrictions and holds the donated funds until requests are made by the partners and can, at its discretion, determine the timing of distributions to the partners. The Organization also has the ability to place additional limitations on the distributions to the partners if those limitations are consistent with the donor's restrictions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Revenue

For the years ended December 31, 2018 and 2017, donated rent of \$24,000 and \$24,360, respectively, is reflected in the accompanying statements of activities at its' estimated value at the date of receipt. Donated rent consists of office space at the address 2336 Wisteria Drive, Suite 350, Snellville, GA 30078.

For the years ended December 31, 2018 and 2017, donated software and training of \$35,726 and \$ -, respectively, is reflected in the accompanying statements of activities at its' estimated value at the date of receipt. Donated software and training consists of accounting software and staff training of software.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as tax-exempt under Internal Revenue Code Section 501(c)(3). Therefore, no provision for income taxes has been made in the financial statements.

The Organization recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The assessment of the technical merits of a tax position is a matter of judgment. The Organization believes that all its tax positions are more likely than not to be sustained upon examination.

The Organization files Form 990 in the U.S. federal jurisdiction and the State of Georgia.

Functional expenses

The Organization reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Compensation and related expenses, nonpersonnel, insurance, and professional fees include certain expenses that are allocated on the basis of estimates of time and effort. Repairs and maintenance, insurance, interest, and depreciation include certain expenses that are allocated on a square footage basis.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In 2018, the Organization adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is available to not-for-profit organizations to simplify the financial statement presentation. Under the newly adopted standard, the Organization now presents net assets as net assets without donor restriction and net assets with donor restriction. The Organization also presents a statement of functional expenses and detailed information on liquidity and availability of the Organization (see Note 3).

NOTE 2. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposits that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3. LIQUIDITY AND AVAILABILITY

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures and meeting its liabilities and other obligations as they become due. Cash needs of the organization are expected to be met on a monthly basis from the contributions of donors. 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 as of December 31, 2018, comprise the following:

Cash and cash equivalents	\$	4,814
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NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. A summary of the amounts and the related accumulated depreciation at December 31, 2018 and 2017 is as follows:

	2018	2017
Land	\$ 42,000	\$ 42,000
Buildings	500,024	500,024
Vehicles	45,000	45,000
Software	25,727	-
	612,751	587,024
Accumulated depreciation	(178,755)	(164,636)
	\$ 433,996	\$ 422,388

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for both the years ended December 31, 2018 and 2017 was \$14,119.

The Organization leases office space in Los Angeles, California, Manila and Quito with monthly lease payments totaling \$3,632 per month. The leases expire at various times through January 2023. At December 31, 2018, future minimum lease payments under these leases are as follows:

Year ending December 31,

2019	\$	43,583
2020		25,665
2021		1,377
2022		1,515
2023		1,666
Total future minimum lease payments	<u>\$</u>	<u>73,806</u>

NOTE 5. NOTES PAYABLE

In November 2005, the Organization entered into a loan agreement for the purchase of the Quito, Ecuador office and team house. The total amount of the loan was \$180,000 with an interest rate of 4.0% with a maturity date of November 15, 2025. Quarterly payments began in February 2006.

In September 2014, the Organization entered into a loan agreement for the purchase of an office suite for its international headquarters. The total amount of the loan was \$135,000 with an interest rate of 4.0% with a maturity date of September 30, 2024. Quarterly payments began in January 2015.

As of December 31, 2018 and 2017, the outstanding balance of notes payable was as follows:

	<u>2018</u>	<u>2017</u>
Note payable, Quito office and team house building as collateral, quarterly payments of principal and interest in the amount of \$3,300	<u>\$ 78,571</u>	<u>\$ 88,390</u>
Note payable to Newman, Snellville office suite as collateral, quarterly payments of principal and interest in the amount of \$4,112	<u>87,459</u>	<u>100,094</u>
Total notes payable	<u>166,030</u>	<u>188,484</u>
Less current maturities	<u>(23,366)</u>	<u>(22,454)</u>
Long-term portion	<u>\$ 142,664</u>	<u>\$ 166,030</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. NOTES PAYABLE (Continued)

Future maturities of notes payable are as follows:

Year ending December 31,

2019	\$	23,366
2020		24,315
2021		25,302
2022		26,329
2023		27,399
Thereafter		39,319
Total maturities of notes payable	\$	166,030

NOTE 6. RESTRICTIONS ON NET ASSETS

Net assets with restrictions are available for the following purposes at December 31:

	2018	2017
Net assets subject to expenditure for specified purpose:		
Manila Programs	\$ 17,362	\$ 33,099
Quito Programs	46,241	91,040
Christmas Celebrations	33,546	65,366
Leadership Community	72,459	83,435
South Africa	139,929	40,857
Teams/Interns	33,348	78,915
Women's Empowerment	119,605	129,949
Partners	135,118	211,050
Education Access	89,556	40,797
Orphans and Vulnerable Children	74,106	75,066
Other	160,399	112,276
Total net assets with donor restrictions:	\$ 921,669	\$ 961,850

Net assets with donor restrictions consist of the following at December 31:

	2018	2017
Net assets subject to expenditure for specified purpose:		
Cash	\$ 898,239	\$ 920,159
Other receivables	23,430	41,691
Total net assets with donor restrictions:	\$ 921,669	\$ 961,850

NOTES TO FINANCIAL STATEMENTS

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows at December 31:

	<u>2018</u>	<u>2017</u>
Manila Programs	\$ 96,154	\$ 157,293
Quito Programs	254,762	377,657
Christmas Celebrations	235,089	289,700
Leadership Community	219,884	243,221
South Africa	187,762	178,357
Teams/Interns	368,094	353,589
Women's Empowerment	230,822	53,775
Partners	584,727	544,737
Education Access	144,830	5,871
Orphans and Vulnerable Children	119,853	72,244
Other	214,479	270,999
Total net assets released from restriction	<u>\$ 2,656,456</u>	<u>\$ 2,547,443</u>

NOTE 8. PREPAID RENT

In October 2015, the Organization entered into an office usage agreement with Living Hope, another not-for-profit organization that also serves in Capri, South Africa, to allow the Organization to construct and occupy the office space on Living Hope's property. Under the agreement, the Organization will pay for the construction of the office space on Living Hope's office campus. In return, Living Hope has agreed to offer free rent for two consecutive ten year periods. At the end of the free rent period, the constructed office space will revert back to Living Hope. Therefore, the Organization is capitalizing construction costs as prepaid rent, and is amortizing the prepaid rent using the straight-line method over the two consecutive ten year periods. The construction project was completed on March 1, 2016. The total construction cost of the project was \$97,048. As of December 31, 2018 and 2017, the remaining prepaid rent was \$83,300 and \$88,152, respectively, and is classified as current and noncurrent prepaid rent on the statements of financial position.

NOTE 9. RELATED PARTIES

Extreme Response International, Inc. Canada is an affiliated organization which has filed and received recognition from Revenue Canada as a nonprofit organization. The U.S. and Canadian affiliates operate various joint programs around the world; however, no significant direct related party transactions exist between the organizations.

NOTE 10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring through June 28, 2019, the date on which the financial statements were available to be issued.