

**EXTREME RESPONSE INTERNATIONAL, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2019**

# EXTREME RESPONSE INTERNATIONAL, INC.

## FINANCIAL REPORT DECEMBER 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

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**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, 2019 and 2018, 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 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.

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**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, 2019 and 2018, 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  
July 17, 2020

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash	\$ 731,682	\$ 903,053
Other receivables	46,052	23,430
Other current assets	8,257	21,090
Current portion of prepaid rent	4,852	4,852
Total current assets	790,843	952,425
Property and equipment, net		
Land	42,000	42,000
Buildings	563,468	500,024
Vehicles	45,000	45,000
Software	25,727	25,727
	676,195	612,751
Less accumulated depreciation	(201,451)	(178,755)
Total property and equipment, net	474,744	433,996
Other noncurrent assets		
Security deposits and reserves	-	1,000
Prepaid rent	73,595	78,448
Total other noncurrent assets	73,595	79,448
Total assets	\$ 1,339,182	\$ 1,465,869
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 45,581	\$ 21,982
Current maturities of notes payable	23,005	23,366
Unearned revenue	-	4,050
Total current liabilities	68,586	49,398
Non-current liabilities		
Notes payable	118,350	142,664
Total liabilities	186,936	192,062
Net assets		
Without donor restrictions	379,977	352,138
With donor restrictions	772,269	921,669
Total net assets	1,152,246	1,273,807
Total liabilities and net assets	\$ 1,339,182	\$ 1,465,869

**See Notes to Financial Statements.**

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 843,930	\$ 2,497,761	\$ 3,341,691
In-kind contributions	59,338	-	59,338
Interest income	391	-	391
Total revenues	903,659	2,497,761	3,401,420
Net assets released from restrictions:			
Satisfaction of program restrictions	2,608,576	(2,608,576)	-
Total revenues and other support	3,512,235	(110,815)	3,401,420
<b>EXPENSES</b>			
<b>Program services</b>			
USA	616,401	-	616,401
Americas	1,004,741	-	1,004,741
Asia	539,872	-	539,872
Africa	853,937	-	853,937
Total program services	3,014,951	-	3,014,951
<b>Supporting services</b>			
Administration and general	352,954	-	352,954
Fundraising	155,076	-	155,076
Total supporting services	508,030	-	508,030
Total expenses	3,522,981	-	3,522,981
<b>CHANGE IN NET ASSETS</b>	<b>(10,746)</b>	<b>(110,815)</b>	<b>(121,561)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>352,138</b>	<b>921,669</b>	<b>1,273,807</b>
Change in donor intent	38,585	(38,585)	-
<b>NET ASSETS, ENDING OF YEAR</b>	<b>\$ 379,977</b>	<b>\$ 772,269</b>	<b>\$ 1,152,246</b>

**See Notes to Financial Statements.**

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
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
<b>EXPENSES</b>			
<b>Program services</b>			
USA	795,818	-	795,818
Americas	911,671	-	911,671
Asia	533,734	-	533,734
Africa	565,841	-	565,841
Total program services	2,807,064	-	2,807,064
<b>Supporting services</b>			
Administration and general	325,768	-	325,768
Fundraising	140,304	-	140,304
Total supporting services	466,072	-	466,072
Total expenses	3,273,136	-	3,273,136
<b>CHANGE IN NET ASSETS</b>	(126,614)	(40,181)	(166,795)
<b>NET ASSETS, BEGINNING OF YEAR</b>	478,752	961,850	1,440,602
<b>NET ASSETS, ENDING OF YEAR</b>	\$ 352,138	\$ 921,669	\$ 1,273,807

**See Notes to Financial Statements.**

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program Services					Supporting Services		
	USA	Americas	Asia	Africa	Total	Administration and General	Fundraising	Total
Compensation and related expenses								
Management compensation	\$ 177,028	\$ -	\$ -	\$ -	\$ 177,028	\$ 6,915	\$ 89,678	\$ 273,621
Staff compensation	259,016	412,934	252,823	271,979	1,196,752	94,639	38,902	1,330,293
Total compensation and related expenses	436,044	412,934	252,823	271,979	1,373,780	101,554	128,580	1,603,914
Direct cost of program activities								
Direct program expenses	97,796	255,201	117,767	345,762	816,526	1,522	50	818,098
Emergency relief and assistance	51,515	243,805	91,031	194,623	580,974	-	-	580,974
Total direct costs of program activities	149,311	499,006	208,798	540,385	1,397,500	1,522	50	1,399,072
Indirect costs								
Automotive	-	6,764	3,311	-	10,075	-	-	10,075
Bank charges	151	8,923	6,712	7,607	23,393	8,333	-	31,726
Depreciation	-	10,606	-	-	10,606	12,089	-	22,695
Dues & fees	738	196	110	70	1,114	18,146	-	19,260
Insurance	12,899	2,939	28	-	15,866	11,968	-	27,834
Interest	1,985	1,074	-	-	3,059	4,649	-	7,708
Postage & shipping	2,039	217	141	186	2,583	3,131	4,710	10,424
Professional fees	733	24,152	1,852	3,032	29,769	82,263	16,819	128,851
Rent	4,805	6,693	25,761	18,168	55,427	28,775	-	84,202
Repairs and maintenance	-	6,707	1,608	946	9,261	2,937	-	12,198
Supplies	1,432	2,025	2,825	2,850	9,132	5,683	-	14,815
Taxes	-	445	9,248	-	9,693	-	-	9,693
Travel	4,639	7,610	15,980	2,705	30,934	45,945	3,941	80,820
Utilities	455	12,494	8,998	4,911	26,858	18,201	-	45,059
Miscellaneous	1,170	1,956	1,677	1,098	5,901	7,758	976	14,635
Total indirect costs	31,046	92,801	78,251	41,573	243,671	249,878	26,446	519,995
Total expenses	\$ 616,401	\$ 1,004,741	\$ 539,872	\$ 853,937	\$ 3,014,951	\$ 352,954	\$ 155,076	\$ 3,522,981

See Notes to Financial Statements.



# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services		
	USA	Americas	Asia	Africa	Total	Administration and General	Fundraising	Total
Compensation and related expenses								
Management compensation	\$ -	\$ 133,168	\$ 21,050	\$ 42,463	\$ 196,681	\$ -	\$ -	\$ 196,681
Staff compensation	437,372	385,104	188,519	317,654	1,328,649	55,000	64,450	1,448,099
Total compensation and related expenses	<u>437,372</u>	<u>518,272</u>	<u>209,569</u>	<u>360,117</u>	<u>1,525,330</u>	<u>55,000</u>	<u>64,450</u>	<u>1,644,780</u>
Direct cost of program activities								
Direct program expenses	151,223	122,866	177,152	104,223	555,464	-	-	555,464
Emergency relief and assistance	152,949	198,237	90,543	72,706	514,435	-	-	514,435
Total direct costs of program activities	<u>304,172</u>	<u>321,103</u>	<u>267,695</u>	<u>176,929</u>	<u>1,069,899</u>	<u>-</u>	<u>-</u>	<u>1,069,899</u>
Indirect costs								
Automotive	-	-	-	-	-	2,428	1,288	3,716
Bank charges	49	1,427	79	911	2,466	29,149	-	31,615
Depreciation	-	-	-	-	-	14,119	-	14,119
Dues & fees	2,096	-	-	-	2,096	16,969	2,101	21,166
Insurance	1,059	2,200	-	630	3,889	79,488	461	83,838
Interest	-	1,739	-	-	1,739	6,048	-	7,787
Postage & shipping	50	22	334	36	442	7,969	6,242	14,653
Professional fees	4,662	21,848	1,447	125	28,082	28,682	55,145	111,909
Rent	20,121	-	16,786	6,081	42,988	25,065	-	68,053
Repairs and maintenance	1,454	5,842	638	2,736	10,670	1,240	-	11,910
Supplies	3,602	4,012	2,206	2,716	12,536	12,577	-	25,113
Taxes	1,104	8,089	-	17	9,210	70	-	9,280
Travel	7,905	10,787	26,096	10,687	55,475	18,924	8,780	83,179
Utilities	7,676	9,202	4,687	1,952	23,517	16,166	675	40,358
Miscellaneous	4,496	7,128	4,197	2,904	18,725	11,874	1,162	31,761
Total indirect costs	<u>54,274</u>	<u>72,296</u>	<u>56,470</u>	<u>28,795</u>	<u>211,835</u>	<u>270,768</u>	<u>75,854</u>	<u>558,457</u>
Total expenses	<u>\$ 795,818</u>	<u>\$ 911,671</u>	<u>\$ 533,734</u>	<u>\$ 565,841</u>	<u>\$ 2,807,064</u>	<u>\$ 325,768</u>	<u>\$ 140,304</u>	<u>\$ 3,273,136</u>

See Notes to Financial Statements.

**EXTREME RESPONSE INTERNATIONAL, INC.**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (121,561)	\$ (166,795)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	22,695	14,119
Donation of property and equipment	-	(25,727)
(Increase) decrease in other receivables	(22,622)	18,261
Decrease (increase) in other current assets	12,833	(17,932)
Decrease in security deposits and reserves	1,000	13,602
Decrease in prepaid rent	4,853	4,852
Increase (decrease) in accounts payable and accrued expenses	23,599	(22,978)
(Decrease) increase in unearned revenue	(4,050)	4,050
Net cash (used in) operating activities	<u>(83,253)</u>	<u>(178,548)</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(63,443)</u>	-
Net cash (used in) investing activities	<u>(63,443)</u>	-
<b>FINANCING ACTIVITIES</b>		
Principal payments made on notes payable	<u>(24,675)</u>	<u>(22,454)</u>
Net cash (used in) financing activities	<u>(24,675)</u>	<u>(22,454)</u>
Net (decrease) in cash	<u>(171,371)</u>	<u>(201,002)</u>
Cash, beginning of year	<u>903,053</u>	<u>1,104,055</u>
Cash, end of year	<u>\$ 731,682</u>	<u>\$ 903,053</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 7,708</u>	<u>\$ 7,833</u>

**See Notes to Financial Statements.**

# EXTREME RESPONSE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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, and to sponsor general charitable work for 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 of depreciable capital assets are as follows:

Buildings and improvements	39 years
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

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### 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, 2019 and 2018, 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, 2019 and 2018, 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 has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Revenue Recognition

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

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

#### In-kind Revenue

For both the years ended December 31, 2019 and 2018, donated rent of \$24,000 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 year ended December 31, 2018, donated software and staff training of software of \$35,726 is reflected in the accompanying statements of activities at its' estimated value at the date of receipt. For the year ending December 31, 2019, the Organization did not have any donated software or donated 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, automotive, bank charges, dues & fees, postage & shipping, supplies, taxes, travel, insurance, and professional fees include certain expenses that are allocated on the basis of estimates of time and effort. Repairs and maintenance, rent, utilities, insurance, interest, and depreciation include certain expenses that are allocated on a square footage basis.

## NOTES TO FINANCIAL STATEMENTS

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

#### Recent Accounting Pronouncements

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies and establishes standards for characterizing grants and similar contracts with resource providers as contributions (nonreciprocal) subject to ASC Topic 958, or as exchange transactions (reciprocal) subject to ASC Topic 606.

For the year ending December 31, 2019, the Organization adopted ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. The Organization recognizes contributions and in-kind contributions in the accompanying statements of activities in accordance with ASC Topic 958. The adoption of ASU 2018-08 did not have an impact on the timing of the revenue recognition of the contributions.

### 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 statements of financial position as of December 31, 2019, and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash	<u>\$ 5,465</u>	<u>\$ 4,814</u>

## NOTES TO FINANCIAL STATEMENTS

### 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, 2019 and 2018 is as follows:

	2019	2018
Land	\$ 42,000	\$ 42,000
Buildings	563,468	500,024
Vehicles	45,000	45,000
Software	25,727	25,727
	676,195	612,751
Accumulated depreciation	(201,451)	(178,755)
	\$ 474,744	\$ 433,996

Depreciation expense for the years ended December 31, 2019 and 2018 was \$22,695 and \$14,119, respectively.

The Organization leases office space in Fish Hoek, Manila and Quito with monthly lease payments totaling \$4,001 per month. The leases expire at various times through March 2024. At December 31, 2019, future minimum lease payments under these leases are as follows:

Year ending December 31,

2020	\$ 35,324
2021	10,082
2022	10,355
2023	10,656
2024	1,838
Total future minimum lease payments	\$ 68,255

### 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. NOTES PAYABLE (Continued)

As of December 31, 2019 and 2018, the outstanding balance of notes payable was as follows:

	2019	2018
Note payable, Quito office and team house building as collateral, quarterly payments of principal and interest in the amount of \$3,300	<b>\$ 67,043</b>	\$ 78,571
Note payable to Newman, Snellville office suite as collateral, quarterly payments of principal and interest in the amount of \$4,112	<b>74,312</b>	87,459
Total notes payable	<b>141,355</b>	166,030
Less current maturities	<b>(23,005)</b>	(23,366)
Long-term portion	<b>\$ 118,350</b>	\$ 142,664

Future maturities of notes payable are as follows:

Year ending December 31,

2020	\$ 23,005
2021	25,302
2022	26,329
2023	27,399
2024	28,628
Thereafter	10,692
Total maturities of notes payable	<b>\$ 141,355</b>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. RESTRICTIONS ON NET ASSETS

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

	2019	2018
Net assets subject to expenditure for specified purpose:		
Manila Programs	\$ 19,556	\$ 17,362
Quito Programs	76,625	46,241
Christmas Celebrations	38,929	33,546
Leadership Community	88,568	72,459
South Africa	66,776	139,929
Teams/Interns	89,611	33,348
Women's Empowerment	61,554	119,605
Partners	114,022	135,118
Education Access	84,822	89,556
Orphans and Vulnerable Children	58,044	74,106
Other	73,762	160,399
Total net assets with donor restrictions	\$ 772,269	\$ 921,669

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

	2019	2018
Net assets subject to expenditure for specified purpose:		
Cash	\$ 726,217	\$ 898,239
Other receivables	46,052	23,430
Total net assets with donor restrictions	\$ 772,269	\$ 921,669

### 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:

	2019	2018
Manila Programs	\$ 69,713	\$ 96,154
Quito Programs	151,638	254,762
Christmas Celebrations	191,213	235,089
Leadership Community	172,373	219,884
South Africa	278,595	187,762
Teams/Interns	311,483	368,094
Women's Empowerment	125,086	230,822
Partners	607,113	584,727
Education Access	188,046	144,830
Orphans and Vulnerable Children	67,565	119,853
Other	445,751	214,479
Total net assets released from restriction	\$ 2,608,576	\$ 2,656,456

## NOTES TO FINANCIAL STATEMENTS

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### **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, 2019 and 2018, the remaining prepaid rent was \$78,447 and \$83,300 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 July 17, 2020, the date on which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact the revenues and other support and change in net assets. Other financial impacts could occur though the extent of such potential impact is unknown at this time.