

**EXTREME RESPONSE INTERNATIONAL, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2022**

# EXTREME RESPONSE INTERNATIONAL, INC.

## FINANCIAL REPORT DECEMBER 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of **Extreme Response International, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Extreme Response International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Extreme Response International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Extreme Response International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Extreme Response International, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
June 28, 2023

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Current assets		
Cash	\$ 850,381	\$ 1,586,637
Investments	1,292,378	-
Other receivables	24,897	-
Other current assets	16,634	6,899
Current portion of prepaid rent	4,852	4,852
Total current assets	2,189,142	1,598,388
Property and equipment, net		
Land	42,000	42,000
Buildings	586,530	574,357
Vehicles	30,609	29,530
Software	25,727	25,727
	684,866	671,614
Less accumulated depreciation	(226,917)	(206,222)
Total property and equipment, net	457,949	465,392
Other noncurrent assets		
Prepaid rent	59,038	63,890
Right-of-use assets	40,902	-
Total other noncurrent assets	99,940	63,890
Total assets	\$ 2,747,031	\$ 2,127,670
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 44,539	\$ 70,955
Current portion of operating lease liabilities	27,530	-
Total current liabilities	72,069	70,955
Non-current liabilities		
Operating lease liabilities	13,372	-
Total liabilities	85,441	70,955
Net assets		
Without donor restrictions	862,263	828,371
With donor restrictions	1,799,327	1,228,344
Total net assets	2,661,590	2,056,715
Total liabilities and net assets	\$ 2,747,031	\$ 2,127,670

**See Notes to Financial Statements.**

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions and grants	\$ 1,173,823	\$ 3,903,803	\$ 5,077,626
In-kind contributions	47,532	-	47,532
Other income	(10,860)	-	(10,860)
Interest income	34	-	34
Unrealized (loss) on investments	-	(7,622)	(7,622)
Total revenues	1,210,529	3,896,181	5,106,710
Net assets released from restrictions:			
Satisfaction of program restrictions	3,301,657	(3,301,657)	-
Total revenues and other support	4,512,186	594,524	5,106,710
<b>EXPENSES</b>			
<b>Program services</b>			
USA	959,908	-	959,908
Americas	1,243,488	-	1,243,488
Asia	417,384	-	417,384
Africa	1,089,202	-	1,089,202
Total program services	3,709,982	-	3,709,982
<b>Supporting services</b>			
Administration and general	715,383	-	715,383
Fundraising	76,470	-	76,470
Total supporting services	791,853	-	791,853
Total expenses	4,501,835	-	4,501,835
<b>CHANGE IN NET ASSETS</b>	<b>10,351</b>	<b>594,524</b>	<b>604,875</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>828,371</b>	<b>1,228,344</b>	<b>2,056,715</b>
<b>CHANGE IN DONOR INTENT</b>	<b>23,541</b>	<b>(23,541)</b>	<b>-</b>
<b>NET ASSETS, ENDING OF YEAR</b>	<b>\$ 862,263</b>	<b>\$ 1,799,327</b>	<b>\$ 2,661,590</b>

**See Notes to Financial Statements.**

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 724,989	\$ 3,030,360	\$ 3,755,349
Forgiveness of PPP loan revenues	193,000	-	193,000
In-kind contributions	47,400	-	47,400
Other income	47,641	-	47,641
Interest income	55	-	55
Total revenues	1,013,085	3,030,360	4,043,445
Net assets released from restrictions:			
Satisfaction of program restrictions	2,965,237	(2,965,237)	-
Total revenues and other support	3,978,322	65,123	4,043,445
<b>EXPENSES</b>			
<b>Program services</b>			
USA	832,243	-	832,243
Americas	936,223	-	936,223
Asia	403,997	-	403,997
Africa	836,859	-	836,859
Total program services	3,009,322	-	3,009,322
<b>Supporting services</b>			
Administration and general	223,423	-	223,423
Fundraising	300,416	-	300,416
Total supporting services	523,839	-	523,839
Total expenses	3,533,161	-	3,533,161
<b>CHANGE IN NET ASSETS</b>	<b>445,161</b>	<b>65,123</b>	<b>510,284</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>590,236</b>	<b>956,195</b>	<b>1,546,431</b>
<b>CHANGE IN DONOR INTENT</b>	<b>(207,026)</b>	<b>207,026</b>	<b>-</b>
<b>NET ASSETS, ENDING OF YEAR</b>	<b>\$ 828,371</b>	<b>\$ 1,228,344</b>	<b>\$ 2,056,715</b>

**See Notes to Financial Statements.**

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2022

	Program services					Supporting services		
	USA	Americas	Asia	Africa	Total	Administration and general	Fundraising	Total
Compensation and related expenses								
Management compensation	\$ 372,061	\$ -	\$ -	\$ -	\$ 372,061	\$ 102,474	\$ 46,082	\$ 520,617
Staff compensation	335,740	380,428	158,235	271,088	1,145,491	57,600	-	1,203,091
Total compensation and related expenses	707,801	380,428	158,235	271,088	1,517,552	160,074	46,082	1,723,708
Direct cost of program activities								
Direct program expenses	156,826	199,792	74,719	183,101	614,438	1,345	-	615,783
Emergency relief and assistance	74,409	553,230	108,238	596,591	1,332,468	1,655	-	1,334,123
Total direct costs of program activities	231,235	753,022	182,957	779,692	1,946,906	3,000	-	1,949,906
Indirect costs								
Automotive	147	3,238	4,399	401	8,185	102	-	8,287
Bank charges	207	1,902	1,037	1,799	4,945	25,142	-	30,087
Depreciation	-	15,214	36	1,932	17,182	3,513	-	20,695
Dues and fees	491	1,201	161	25	1,878	15,647	-	17,525
Insurance	2,019	3,361	-	109	5,489	24,189	1,601	31,279
Interest	-	-	-	-	-	32	-	32
Postage and shipping	1,918	22	95	55	2,090	641	5,325	8,056
Professional fees	3,929	27,422	6,333	337	38,021	404,470	23,462	465,953
Rent	-	6,325	27,464	13,661	47,450	24,000	-	71,450
Repairs and maintenance	-	12,545	5,120	2,470	20,135	5,115	-	25,250
Supplies	1,306	3,765	2,346	590	8,007	5,326	-	13,333
Taxes	-	5,857	4,772	35	10,664	-	-	10,664
Travel	5,489	15,989	13,620	13,966	49,064	27,675	-	76,739
Utilities	4,153	10,956	9,532	1,735	26,376	13,230	-	39,606
Miscellaneous	1,213	2,241	1,277	1,307	6,038	3,227	-	9,265
Total indirect costs	20,872	110,038	76,192	38,422	245,524	552,309	30,388	828,221
Total expenses	\$ 959,908	\$ 1,243,488	\$ 417,384	\$ 1,089,202	\$ 3,709,982	\$ 715,383	\$ 76,470	\$ 4,501,835

See Notes to Financial Statements.



# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	Program services					Supporting services		
	USA	Americas	Asia	Africa	Total	Administration and general	Fundraising	Total
Compensation and related expenses								
Management compensation	\$ 269,910	\$ -	\$ -	\$ -	\$ 269,910	\$ 101,315	\$ 134,728	\$ 505,953
Staff compensation	413,207	350,002	170,913	264,801	1,198,923	37,192	10,483	1,246,598
Total compensation and related expenses	683,117	350,002	170,913	264,801	1,468,833	138,507	145,211	1,752,551
Direct cost of program activities								
Direct program expenses	88,691	198,331	69,389	164,467	520,878	87	-	520,965
Emergency relief and assistance	25,466	299,694	110,211	369,386	804,757	-	-	804,757
Total direct costs of program activities	114,157	498,025	179,600	533,853	1,325,635	87	-	1,325,722
Indirect costs								
Automotive	77	4,885	3,006	21	7,989	-	-	7,989
Bank charges	86	1,746	1,044	1,963	4,839	-	25,934	30,773
Depreciation	-	11,455	-	1,906	13,361	-	12,089	25,450
Dues and fees	516	1,227	-	28	1,771	4,244	5,164	11,179
Insurance	1,016	2,625	-	82	3,723	-	16,424	20,147
Interest	-	3,298	-	-	3,298	-	594	3,892
Postage and shipping	2,007	38	86	64	2,195	5,275	427	7,897
Professional fees	8,641	21,979	11,179	3,972	45,771	60,685	47,680	154,136
Rent	9,000	6,325	24,008	14,304	53,637	-	24,000	77,637
Repairs and maintenance	-	11,549	1,666	6,224	19,439	-	5,815	25,254
Supplies	816	2,072	2,063	2,183	7,134	551	5,086	12,771
Taxes	-	6,803	10	33	6,846	-	-	6,846
Travel	6,535	172	-	4,141	10,848	12,549	1,587	24,984
Utilities	4,445	12,689	10,149	1,896	29,179	584	10,405	40,168
Miscellaneous	1,830	1,333	273	1,388	4,824	941	-	5,765
Total indirect costs	34,969	88,196	53,484	38,205	214,854	84,829	155,205	454,888
Total expenses	\$ 832,243	\$ 936,223	\$ 403,997	\$ 836,859	\$ 3,009,322	\$ 223,423	\$ 300,416	\$ 3,533,161

**See Notes to Financial Statements.**

# EXTREME RESPONSE INTERNATIONAL, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 604,875	\$ 510,284
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,695	25,450
Forgiveness of PPP loan revenues	-	(193,000)
(Gain) on sale of property and equipment	-	(30,000)
Unrealized loss on investments	7,622	-
(Increase) decrease in other receivables	(24,897)	105,095
(Increase) in other current assets	(9,735)	(219)
Decrease in prepaid rent	4,852	4,853
(Increase) in right-to-use assets	(40,902)	-
(Decrease) increase in accounts payable and accrued expenses	(26,416)	32,802
Increase in operating lease liabilities	40,902	-
Net cash provided by operating activities	576,996	455,265
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(13,252)	(29,530)
Proceeds from sale of property and equipment	-	30,000
Purchases of investments	(1,300,000)	-
Net cash (used in) provided by investing activities	(1,313,252)	470
<b>FINANCING ACTIVITIES</b>		
Principal payments made on notes payable	-	(114,843)
Net cash (used in) financing activities	-	(114,843)
Net (decrease) increase in cash	(736,256)	340,892
Cash, beginning of year	1,586,637	1,245,745
Cash, end of year	\$ 850,381	\$ 1,586,637
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 32	\$ 3,892

**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 Internal Revenue Service (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

## 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, 2022 and 2021, 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, 2022 and 2021, 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)

#### Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased.

#### Investments

Investments consist primarily of money market accounts and certificates of deposits, and are carried at fair value.

Donated investments are recorded at fair value on the date received. Realized and unrealized gains and losses are recognized as income or loss on the statements of activities.

#### Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Cash and cash equivalents* - The carrying amount approximates fair value because of the short-term maturity of these instruments.

*Investments* - Investments are carried at fair value based on quoted market prices for those or similar investments. Certificates of deposit are carried at estimated fair value.

The Organization follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches.

## NOTES TO FINANCIAL STATEMENTS

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

#### **Fair Value of Financial Instruments (Continued)**

Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

*Level 2* – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

*Level 3* – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## NOTES TO FINANCIAL STATEMENTS

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

#### **Fair Value of Financial Instruments (Continued)**

For the years ended December 31, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### **In-kind Contributions**

For the years ended December 31, 2022 and 2021, 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, 2022, donated software and staff training of software of \$23,532 is reflected in the accompanying statements of activities at its estimated value at the date of receipt. For the year ending December 31, 2021, the Organization received \$23,400 in 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### Income Taxes (Continued)

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.

#### Allocation of 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 and fees, postage and 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.

#### Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements.

For the year ending December 31, 2022, the Organization adopted ASU 2016-02 and has adjusted the presentation in these financial statements accordingly. This adjustment did not have an effect on total net assets or the change in total net assets for 2022 or 2021.



## NOTES TO FINANCIAL STATEMENTS

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

#### Recent Accounting Pronouncements (Continued)

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

For the year ending December 31, 2022, the Organization adopted ASU 2020-07 and has adjusted the presentation in these financial statements accordingly. This adjustment did not have an effect on total net assets or the change in total net assets for 2022 or 2021.

### 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, 2022, and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash	<u>\$ 368,329</u>	<u>\$ 358,292</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	NAV Practical Expedient	Total
Money market funds	\$ 2,241	\$ -	\$ -	\$ -	\$ 2,241
Certificates of deposit	1,290,137	-	-	-	1,290,137
Total investments at fair value	\$ 1,292,378	\$ -	\$ -	\$ -	\$ 1,292,378

There were no investments held by the Organization as of December 31, 2021.

### NOTE 5. RESTRICTIONS ON NET ASSETS

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

	2022	2021
Net assets subject to expenditure for specified purpose:		
Education	\$ 478,863	\$ 307,432
Life skills	26,319	49,582
Leadership development	344,491	145,709
Mobilization	31,816	21,727
Operations	43,143	47,276
Personnel	428,764	477,155
Partners	445,931	179,463
Total net assets with donor restrictions	\$ 1,799,327	\$ 1,228,344

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

	2022	2021
Net assets subject to expenditure for specified purpose:		
Cash	\$ 482,052	\$ 1,228,344
Investments	1,292,378	-
Other receivables	24,897	-
Total net assets with donor restrictions	\$ 1,799,327	\$ 1,228,344

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. 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:

	2022	2021
Education	\$ 295,487	\$ 223,254
Life skills	126,189	82,926
Leadership development	177,876	309,671
Mobilization	145,889	53,297
Operations	47,533	219,903
Personnel	1,227,351	1,429,855
Partners	1,281,332	646,331
Total net assets released from restriction	\$ 3,301,657	\$ 2,965,237

### NOTE 7. 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, 2022 and 2021, the remaining prepaid rent was \$63,890 and \$68,742, respectively, and is classified as current and noncurrent prepaid rent in the accompanying statements of financial position.

### NOTE 8. IN-KIND CONTRIBUTIONS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

Type	2022	2021	Usage
Software	\$ 23,532	\$ 23,400	Administration and general
Rent	24,000	24,000	Administration and general
	\$ 47,532	\$ 47,400	

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. IN-KIND CONTRIBUTIONS (CONTINUED)

The Organization recognized contributed nonfinancial assets within revenue, including software and rent.

Contributed software and rent were valued using estimated average prices of identical or similar products or services using pricing data of similar products or services under a 'like-kind' methodology, considering the utility of the services and goods at the time of the contribution.

### NOTE 9. LEASES

The Organization leases office space in Fish Hoek, Manila and Quito. The leases expire at various times through December 2028.

In 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. The Organization's incremental borrowing rate of 4.5% was used as the discount rate in order to determine present value. The following is a schedule by years of minimum future rentals on non-cancelable operating leases and the amortization of the net present value (NPV) of the lease liability as of December 31, 2022:

For the year ending December 31:	Minimum annual lease payments	Amortization of right-to-use asset	Amortization of operating lease liability
2023	\$ 19,395	\$ 27,530	\$ 27,530
2024	5,403	4,636	4,636
2025	3,060	2,523	2,523
2026	2,304	1,918	1,918
2027	2,304	2,066	2,066
Thereafter	2,304	2,229	2,229
	<u>\$ 34,770</u>	<u>\$ 40,902</u>	<u>\$ 40,902</u>

Total rent expense for the years ended December 31, 2022 and 2021 was \$47,450 and \$53,637, respectively.

### NOTE 10. RELATED PARTIES

Extreme Response International, Inc. Canada is an affiliated organization which has filed and received recognition from Revenue Canada as a nonprofit organization. There were no significant direct related party transactions between the organizations.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 11. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events occurring through June 28, 2023, the date on which the financial statements were available to be issued.