

**REACT INTERNATIONAL, INC.**  
**Chicago, Illinois**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

# Rojas & Associates, CPAs

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To the Board of Directors  
REACT International, Inc.  
Chicago, Illinois

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of REACT International, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility 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; 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.

### Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

ROJAS & ASSOCIATES, CPAs

Rojas & Associates CPAs

Los Angeles, California  
March 12, 2018

REACT INTERNATIONAL, INC.  
Chicago, Illinois

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 3,883
Accounts receivable	154
Prepaid expenses	<u>930</u>
Total current assets	<u>4,967</u>

FIXED ASSETS

At cost	1,000
Accumulated depreciation	( <u>1,000</u> )
Net fixed assets	<u>0</u>

OTHER ASSETS

Investments	<u>40,430</u>
Total other assets	<u>40,430</u>

TOTAL ASSETS	<u>\$ 45,397</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deferred revenues	\$ <u>5,231</u>
Total current liabilities	<u>5,231</u>

TOTAL LIABILITIES	<u>5,231</u>
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NET ASSETS

Temporarily restricted	3,020
Unrestricted	<u>37,146</u>

TOTAL NET ASSETS	<u>40,166</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 45,397</u>
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This statement is to be considered in conjunction with the  
accompanying independent accountants' review report.  
The accompanying notes are an integral part of this statement.

REACT INTERNATIONAL, INC.  
Chicago, Illinois

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>
PUBLIC SUPPORT AND OTHER REVENUE	
Dues	\$ 9,655
Team Charters	45
Team insurance	1,795
Affiliate	104
Merchandise store revenues	243
Contributions	158
Unrealized loss on investment	( 1,274)
Dividends	<u>3,514</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	14,240
EXPENSES	
Program services	6,017
General and administrative	<u>6,911</u>
TOTAL EXPENSES	<u>12,928</u>
CHANGE IN UNRESTRICTED NET ASSETS	1,312
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>35,834</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 37,146</u>

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accompanying independent accountants' review report.  
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REACT INTERNATIONAL, INC.  
Chicago, Illinois

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,312
Unrealized loss on investment	1,274
Changes in operating assets and liabilities:	
Decrease in prepaids	580
Decrease in accounts receivable	185
Increase in deferred revenues	<u>2,470</u>
Net cash provided by operating activities	<u>5,821</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of securities	( <u>3,513</u> )
Net cash used in investing activities	( <u>3,513</u> )
Net increase in cash	2,308

CASH, BEGINNING 1,575

CASH, ENDING \$ 3,883

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**REACT INTERNATIONAL, INC.**  
**Chicago, Illinois**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1. NATURE OF OPERATIONS**

REACT International, Inc. was founded in 1962 and formed in 1975 pursuant to the Illinois Nonprofit Corporation Law as a public benefit corporation. The Company provides public service and emergency communications activities for emergencies, disasters and other forms of aid to citizens. The Company's office is located in California.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America; consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Contributions received are recorded as unrestricted or restricted depending on the nature or existence of any donor restriction.

Basis of Presentation: The Company follows the presentation requirements of Financial Accounting Standards Board Codification of ASC Topic 958 - Not for Profit Entities. Under ASC Topic 958, the Company is required to report information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, or unrestricted. The Company currently has no permanently restricted net assets.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand and cash in bank accounts.

Receivables: Trade accounts receivable are recorded net of an allowance for expected losses. The allowances are estimated from historical performance and projection of trends. The Company considers the receivable to be fully collectible, and accordingly no allowance for doubtful accounts is considered necessary.

Property and Equipment: Property and equipment are recorded at cost. Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the asset.

Investments and Related Income, Gains and Losses: Investments in equity and debt securities are reported at fair value. Fair values are primarily determined based on quoted market prices or other market inputs. Interest and dividends on investments are included in nonoperating activities. All other investment income, including realized and unrealized gains and losses on short-term and long-term investments, is reported as nonoperating activities.

The Company records its investments under Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as 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. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (Note 4).

See accompanying independent accountants' review report.



REACT INTERNATIONAL, INC.  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes: REACT International, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 805 ILCS 105 of the Illinois General Not For Profit Corporation Act of 1986 for revenue generated from its exempt purpose activities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation &amp; Amortization</u>	<u>Book Value</u>
Furniture and fixtures	\$ 1,000	\$ 1,000	\$ 0
	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 0</u>

The Company provides for depreciation and amortization using the straight-line method over the estimated useful asset lives.

NOTE 4. FAIR VALUE MEASUREMENTS - INVESTMENTS

Investments consist of a single public, non-traded business development company investment, which is valued at the fund's current offering price. In accordance with its prospectus, the fund must maintain a net asset value of at least 87% and is generally illiquid, with no publically offered shares and a 7.5% discounted share repurchase plan.

Fair value is defined as the price that a party would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tier hierarchy has been established based on the extent of use of observable inputs as compared to unobservable inputs for valuing investments and is summarized as follows:

Level 1 - Unadjusted quoted prices in active markets for identical investments at the measurement date.

Level 2 - Significant observable inputs (including quoted prices for similar investments, interest rates, repayment speeds, credit risk, etc.)

Level 3 - Significant unobservable inputs.

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**NOTE 4. FAIR VALUE MEASUREMENTS - INVESTMENTS (CONTINUED)**

As the fund's valuation is derived from its net asset value which is based upon the fair value of its underlying holdings, but there is no active market for this security, the Company has determined this investment is valued using Level 2 inputs.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers between levels during 2017.

**NOTE 5. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS**

In August 2016, the FASB passed ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. The main provisions of this update, which amend the requirements for financial statements and notes in Topic 958, Not-for-Profit entities, which are anticipated to impact the Company require a not-for-profit to:

- 1) Present net assets and the changes in net assets for two classes of net assets, net assets with donor restrictions and net assets without donor restrictions, rather than for the currently required three classes.
- 2) Provide enhanced disclosures regarding the amounts and purposes of governing board designations that result in self-imposed limits on the use of resources, the compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative information that communicated how the not-for-profit manages its liquid resources available to meet cash needs within one year of the balance sheet date, and the methods used to allocate costs among program and support function.
- 3) Disclose the amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location, which could be on the face of the statement of activities, as a separate statement, or in notes to the financial statements.

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**NOTE 5. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

This amendment is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early application of amendments in this update is permitted. The amendments in this update should be applied on a retrospective basis in the year that update is first applied. The Company is currently evaluating the impact on this new accounting standard on the financial statements.

**NOTE 6. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 12, 2018, the date of this report, and has determined that there were no material subsequent events that required recognition or additional disclosure in these financial statements.

See accompanying independent accountants' review report.