

EMBRACE RELIEF FOUNDATION INC.
(A NON-PROFIT ORGANIZATION)

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

EMBRACE RELIEF FOUNDATION INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Embrace Relief Foundation Inc.
Fairfield, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Embrace Relief Foundation Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities, the statements of cash flows and the statements of functional expenses 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.

Auditor's Responsibility (Continued)

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 Embrace Relief Foundation Inc. as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in December 31, 2017 and 2016, the entity adopted new accounting guidance, Accounting Standards Update ("ASU") No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" which amends the requirements for financial statements and notes in topic 958, Not-for-Profit entities. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read 'Barre & Company', is written over a horizontal line.

Barre & Company LLC
Certified Public Accountant
Union, New Jersey

August 5, 2017

FINANCIAL STATEMENTS

**EMBRACE RELIEF FOUNDATION INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash	\$ 409,415	\$ 530,230
Accounts Receivable	-	700
Inventory	2,311	3,214
Total Current Assets	<u>411,726</u>	<u>534,144</u>
Other Assets:		
Security Deposit	\$ 8,817	\$ 8,817
Total Other Assets	<u>8,817</u>	<u>8,817</u>
 Property and Equipment	 88,779	 81,407
Accumulated Depreciation	(39,094)	(19,494)
Total Property and Equipment - Net of Accumulated Depreciation	<u>49,685</u>	<u>61,913</u>
 Total Assets	 <u><u>\$ 470,228</u></u>	 <u><u>\$ 604,874</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Other Current Liabilities:		
Payroll Liabilities	\$ 5,658	\$ 9,232
Current Portion of Long-Term Debt	3,908	11,577
Total Current Liabilities	<u>9,566</u>	<u>20,809</u>
Long-Term Liabilities:		
Loan Payable - Truck	-	3,908
Total Long-Term Liabilities	<u>-</u>	<u>3,908</u>
Net Assets:		
Without Donor Restrictions	460,662	580,157
With Donor Restrictions	-	-
Total Net Assets	<u>460,662</u>	<u>580,157</u>
 Total Liabilities and Net Assets	 <u><u>\$ 470,228</u></u>	 <u><u>\$ 604,874</u></u>

The accompanying notes are an integral part of these financial statements.

EMBRACE RELIEF FOUNDATION INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	Without Donor Restrictions	With Donor Restrictions	2017	2016
Revenues and Support:				
Contributions	\$ 516,124	\$ 946,820	\$ 1,462,944	\$ 2,375,507
Total Revenues and Support	<u>516,124</u>	<u>946,820</u>	<u>1,462,944</u>	<u>2,375,507</u>
Program Expenses		946,820	946,820	1,689,103
Management and General Expenses	<u>635,619</u>	<u></u>	<u>635,619</u>	<u>546,975</u>
Total Expenses	<u>635,619</u>	<u>946,820</u>	<u>1,582,439</u>	<u>2,236,078</u>
Changes in Net Assets	(119,495)	-	(119,495)	139,429
Net Assets, Beginning of Year	<u>580,157</u>	<u>-</u>	<u>580,157</u>	<u>440,728</u>
Net Assets, End of Year	<u>\$ 460,662</u>	<u>\$ -</u>	<u>\$ 460,662</u>	<u>\$ 580,157</u>

The accompanying notes are an integral part of these financial statements.

EMBRACE RELIEF FOUNDATION INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (119,495)	\$ 139,429
Adjustments to reconcile the change in net assets to net cash provided by operations:		
Depreciation Expense	19,600	12,987
Increase in Accounts Receivable	1,603	(3,914)
Increase in Other Assets	-	(8,817)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses		
Loan Payable - Truck	(7,669)	218
Current Portion Long-Term Debt	(3,908)	(11,577)
Payroll Liabilities	(3,574)	4,007
Net Cash Provided by Operating Activities	<u>(113,443)</u>	<u>132,333</u>
Purchases of Property and Equipment	<u>(7,372)</u>	<u>(32,610)</u>
Net Cash Provided by (Used by) Financing Activities	<u>(7,372)</u>	<u>(32,610)</u>
Net Increase (Decrease) in Cash	(120,815)	99,723
Cash, Beginning of Year	<u>530,230</u>	<u>430,507</u>
Cash, End of Year	<u><u>\$ 409,415</u></u>	<u><u>\$ 530,230</u></u>

The accompanying notes are an integral part of these financial statements.

EMBRACE RELIEF FOUNDATION INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Without Donor Restrictions	With Donor Restrictions	2017	2016
PROGRAM EXPENSES:				
Program Event Expenses	\$ -	\$ -	\$ -	\$ 5,703
Africa Water Well Relief			-	199,000
Cataract Relief		11,900	11,900	53,500
Chicago Educational Fund		4,450	4,450	
Clean Water		65,500	65,500	
EYF Houston		1,529	1,529	
Haiti Health Checkup		15,000	15,000	
Women Development Expense		5,000	5,000	
Orphan Care Expenses			-	140,762
School Supplies		8,169.00	8,169	-
Enes Kanter Scholarship			-	15,000
Hunger Relief Expenses		516,055	516,055	904,746
Refugee Relief Expenses		248,567	248,567	175,042
Somalia Terror Victims Expenses			-	125,064
Bastrop County Fire Relief Camp			-	51,000
Disaster Relief Expenses		70,650	70,650	5,000
Newcomers Expenses			-	14,286
Total Program Services	-	946,820	946,820	1,689,103
MANAGEMENT AND GENERAL EXPENSES:				
Professional Fees	62,124		62,124	23,289
Commission Fees	22,565		22,565	39,754
Insurance	4,130		4,130	6,662
Bank Service Charges	3,292		3,292	3,600
Office Expenses	4,767		4,767	12,909
Depreciation Expense	19,600		19,600	12,987
Dues, Permits, Licenses, Subscriptions	70,630		70,630	32,630
Rent	70,807		70,807	40,629
Salaries	330,950		330,950	329,914
Payroll Taxes	30,558		30,558	30,864
Travel	16,196		16,196	13,737
Total Management and General Expenses	635,619	-	635,619	546,975
TOTAL EXPENSES	<u>\$ 635,619</u>	<u>\$ 946,820</u>	<u>\$ 1,582,439</u>	<u>\$ 2,236,078</u>

The accompanying notes are an integral part of these financial statements.

EMBRACE RELIEF FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Nature of Activities

The Embrace Relief Foundation Inc. is located at 18 Passaic Avenue, Fairfield, New Jersey. It is a non-profit organization that brings together teams of volunteers to collaborate on local aid and disaster relief efforts. These teams provide an array of support, offering to assist financially, emotionally and physically with the needs of families and communities ravaged by disaster. The foundation collects, delivers and distributes supplies and resources to families, individuals and institutions. Their primary support comes from contributions.

Basis of Accounting

Embrace Relief Foundation Inc.. prepare its financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP) for Not for Profit Organizations (NFPs). The significant accounting and reporting policies used are described herein to enhance the usefulness and understandability of the financial statements.

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, including functional allocations during the reporting period. Actual results could differ from those estimates. Management bases its estimates on historical experiences and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. While actual results could differ from those estimates, management believes that the estimates are reasonable.

EMBRACE RELIEF FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. As of December 31, 2017 and 2016 all net assets are considered as without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose, in a particular future period, or for perpetual duration. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restriction to without donor restriction. As of December 31, 2017 and 2016 there were no net assets with donor restrictions.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to with donor restriction. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Donated Services

During the year ended December 31, 2017, many volunteered their time and performed a variety of tasks that assisted Embrace Relief Foundation Inc. The value of contributed services meeting the requirements of recognition in the financial statements was not material and has not been recorded.

EMBRACE RELIEF FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Cash and Cash Equivalents

For the purposes of the statements of cash flows, Embrace Relief Foundation Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Program Expense Allocation

Approximately 75% of company expenditures go for direct program use.

Income Taxes

Embrace Relief Foundation Inc. is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income taxes has been made.

The Organization's tax year 2014, 2015, and 2016 are still open to examinations by the Internal Revenue Service.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Impact of Recently Issued Accounting Principles

In August, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" which amends the requirements for financial statements and notes in topic 958, Not-for-Profit entities. The guidance is effective for fiscal years and interim periods beginning after December 15, 2017, and is required to be applied retrospectively. Early adoption is permitted and we adopted ASU No. 2016-14 for this fiscal year. We have considered all new accounting pronouncements and have early adopted ASU No. 2016-14. The early adoption of ASU No. 2016-14 did not require retroactive adjustments. The adoption of this guidance had no impact on our results of operations or cash flows.

EMBRACE RELIEF FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2: FAIR VALUE MEASUREMENTS

The organization uses fair value measurements to record fair adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available for sale.

The Fair Value Measurements Topic 820 of the FASB Accounting Standards Codification (FASB ASC 820) defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurement. The disclosures required under this Topic have been included in this note.

Fair Value Hierarchy

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are observable inputs for the asset or liability.

Determination of Fair Value

Under FASB ASC 820, the Organization bases its fair value on 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. It is the Organization's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where these exists limited or no observable market date and, therefore,

EMBRACE RELIEF FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2: FAIR VALUE MEASUREMENTS (CONTINUED)

Determination of Fair Value (continued)

are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

Additionally, there may be inherent weakness in any calculation techniques, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current future value.

Following is a description of valuation methodologies use for assets and liabilities recorded at fair value. Methodologies have been consistently applied.

Cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, approximate fair value due to their short maturities.

The table below presents the amounts of assets and liabilities measured at fair value on a recurring basis as of December 31, 2017:

	2017	
	Carrying Amount	Fair Value
Financial Assets:		
Cash and Cash Equivalents	<u>\$ 409,415</u>	<u>\$ 409,415</u>

NOTE 3: CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and cash equivalents. At various times throughout the year, the Organization has balances in excess of FDIC insurance coverage of \$250,000. Embrace Relief Foundation Inc. places all funds with high credit quality financial institutions to limit the credit risk.

EMBRACE RELIEF FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4: PROPERTY AND EQUIPMENT

In 2017, the Organization purchased equipment. As of December 31, 2017, the equipment was valued at:

Property and Equipment	88,779	81,407
Accumulated Depreciation	(39,094)	(19,494)
Total Property and Equipment - Net of Accumulated Depreciation	49,685	61,913

NOTE 5: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor restriction or other restrictions limiting their use, within one year of the balance sheet date, comprise cash in the amount of \$430,507 as of December 31, 2017. As part of our liquidity management plan, we maintain all available liquid funds in a cash account.

NOTE 6: SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 1, 2018, which is the date the financial statements were issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.