

EMRACE RELIEF FOUNDATION, INC.

Financial Statements
December 31, 2023

(With Independent Auditor's Report)

EMBRACE RELIEF FOUNDATION, INC.

Financial Statements

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Embrace Relief Foundation, Inc.

Fairfield, New Jersey

Opinion

We have audited the accompanying financial statements of **Embrace Relief Foundation, Inc.** (the "Organization"), a nonprofit corporation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Embrace Relief Foundation, Inc.** as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

MNB Accountancy, Inc CPA

Costa Mesa, California

May 15, 2024

Embrace Relief Foundation, Inc.
Statement of Financial Position
December 31, 2023

ASSETS	
Cash and cash equivalents	\$ 442,346
Pledges receivable, net	120,000
Inventory	9,975
Prepaid and other current assets	8,817
Total current assets	<u>581,138</u>
Property and equipment—net	48,225
Right-of-use assets	193,794
Total non- current assets	<u>242,019</u>
Total assets	<u><u>\$ 823,157</u></u>
LIABILITIES	
Accounts and other payable	34,936
Operating lease liabilities current	60,169
Operating lease liabilities non-current	<u>133,625</u>
Total liabilities	<u>228,730</u>
NET ASSETS	
Without donor restriction	594,427
With donor restriction	<u>-</u>
Total net assets	<u><u>\$ 594,427</u></u>
Total Liabilities and Net Assets	<u><u>\$ 823,157</u></u>

Embrace Relief Foundation, Inc.
Statement of Activities
For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and other income			
Children Relief Contributions		258,813	258,813
Clean Water Contributions		216,564	216,564
Disaster Relief Contributions		2,626,308	2,626,308
Education Relief Contributions		717,605	717,605
Health Cataract Contribution		100,004	100,004
Hunger Relief Contributions		723,423	723,423
Refugee Relief Contributions		484,092	484,092
Women Empowerment Contributions		6,933	6,933
General contributions	251,403		251,403
Grant Income	106,121		106,121
Donated product and services	32,500		32,500
Other income, net	68,512		68,512
Total revenue, support and other income	458,536	5,133,742	5,592,278
Satisfaction via payments	5,185,975	(5,185,975)	-
Net assets released from restrictions	-	-	-
Total revenue, support and other income	\$ 5,644,511	\$ (52,233)	\$ 5,592,278
Expenses:			
Program services:			
Children Relief	266,598		266,598
Clean Water	289,599		289,599
Disaster Relief	2,391,424		2,391,424
Education	685,975		685,975
Health and Cataract	151,597		151,597
Hunger Relief	827,867		827,867
Refugee Relief	556,367		556,367
Women Empowerment	16,548		16,548
Total program services	\$ 5,185,975	\$ -	\$ 5,185,975
Supporting services:			
Management and general	158,737		158,737
Fundraising	181,974		181,974
Total Supporting Services	340,711		340,711
Total expenses	\$ 5,526,686	\$ -	\$ 5,526,686
Increase/(decrease) in net assets	117,825	(52,233)	65,592
Beginning of the year	1,194,936	(666,101)	528,835
End of the year	\$ 1,312,761	\$ (718,334)	\$ 594,427

The accompanying notes are integral part of the financial statements.

Embrace Relief Foundation, Inc.
Statement of Cash Flows
For the year ended December 31, 2023

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Cash flows from operating activities:	
Change in net assets	\$ 65,592
Adjustments to reconcile	
to net cash provided by (used for) operating activities:	
Depreciation	16,096
(Increase)/Decrease in receivables	(120,000)
(Increase)/Decrease in other assets	13,362
Increase/(Decrease) in payable	27,133
Net cash provided by operating activities	<u>2,183</u>
Cash flows from investing activities	
Fixed asset additions	<u>(787)</u>
Net cash used for investing activities	<u>(787)</u>
Cash flows from financing activities	<u>-</u>
Net increase/(decrease) in cash	\$ 1,396
Cash and cash equivalents	
Beginning of year	<u>\$ 440,950</u>
End of year	<u>\$ 442,346</u>

Embrace Relief Foundation, Inc.
Statement of Functional Expenses
For the year ended December 31, 2023

	Program services expenses									Supporting services		Total
	Refugee Relief	Hunger Relief	Clean Water	Health and Cataract	Children Relief	Disaster Relief	Education	Women Empowerment	Total Programs	Management & General	Fundraising Expense	
Officers & directors salaries	32,639	43,518	32,639	32,639	21,759	21,759	21,759	10,880	217,592	96,506	113,107	427,205
Payroll taxes	1,774	2,366	1,774	1,774	1,183	1,183	1,183	591	11,828	10,820	12,674	35,322
Employee benefits	831	1,108	831	831	554	554	554	277	5,540	2,895	3,173	11,608
Bank service charges	2,407	2,407	1,805	1,805	1,204	1,204	1,204	-	12,036	-	-	12,036
Gifts and donations	193	193	145	145	96	96	96	-	964	-	-	964
Grant expense	3,120	3,120	2,340	2,340	1,560	1,560	1,560	-	15,600	-	3,900	19,500
Insurance expenses	1,418	1,418	1,064	1,064	709	709	709	-	7,091	1,773	-	8,864
Merchant fees	16,854	16,854	12,641	12,641	8,427	8,427	8,427	-	84,271	-	-	84,271
Office expenses	716	716	537	537	358	358	358	-	3,580	3,581	-	7,161
Telephone expenses	227	227	170	170	113	113	113	-	1,133	378	378	1,889
Web and Maintenance	9,900	9,900	7,425	7,425	4,950	4,950	4,950	-	49,500	-	12,375	61,875
Rent, parking and other occupancy	10,675	10,675	10,675	10,675	10,675	10,675	10,675	-	74,725	7,117	7,117	88,959
Professional fees	1,385	1,385	1,039	1,039	693	693	693	-	6,927	27,050	-	33,977
Fundraising & program support	10,977	10,977	8,232	8,232	5,488	5,488	5,488	-	54,882	-	6,098	60,980
Program marketing	11,317	11,317	8,488	8,488	5,659	5,659	5,659	-	56,587	-	6,287	62,874
Program relief expenses	433,457	693,209	185,936	47,934	193,931	2,318,757	613,320	4,800	4,491,344	-	-	4,491,344
Event support expenses	3,903	3,903	2,928	2,928	1,952	1,952	1,952	-	19,518	-	-	19,518
Registration and license fees	2,412	2,412	1,809	1,809	1,206	1,206	1,206	-	12,060	3,014	-	15,074
Conference and convention	1,074	1,074	805	805	537	537	537	-	5,369	-	-	5,369
Travel expenses	1,725	1,725	1,294	1,294	863	863	863	-	8,627	2,465	1,233	12,325
Depreciation	3,100	3,100	2,325	2,325	1,550	1,550	1,550	-	15,500	596	-	16,096
Postage, shipping, delivery	-	-	-	-	-	-	-	-	-	2,542	-	2,542
Promotion and consulting	4,912	4,912	3,684	3,684	2,456	2,456	2,456	-	24,560	-	6,140	30,700
Membership fees	1,351	1,351	1,013	1,013	675	675	663	-	6,741	-	9,492	16,233
Total	\$ 556,367	\$ 827,867	\$ 289,599	\$ 151,597	\$ 266,598	\$ 2,391,424	\$ 685,975	\$ 16,548	\$ 5,185,975	\$ 158,737	\$ 181,974	\$ 5,526,686

The accompanying notes are integral part of the financial statements

EMBRACE RELIEF FOUNDATION

Notes to Financial Statements

December 31, 2023

Note 1 – Description and purpose of the Organization

Embrace Relief Foundation Inc. (hereafter referred to as the “Organization”) was incorporated in the State of New York on April 4, 2008, (originally filed under the name of Helping Hands Relief Foundation, Inc). It is a non-profit organization that brings together teams of volunteers to collaborate on local and international humanitarian aid and several relief efforts. These teams provide an array of support, offering to assist financially, emotionally, and physically with the needs of families and communities. The Foundation collects, delivers, and distributes supplies and resources to families, individuals, and institutions. The Organization’s primary support comes from contributions.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation –The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US 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.

Net assets – The financial statements report net assets and change in net assets in two 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 that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the Organizations, 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 operation

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

All revenues and net gains are reported as increases 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.

EMBRACE RELIEF FOUNDATION

Notes to Financial Statements

December 31, 2023

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of estimates – The preparation of financial statements in conformity with GAAP requires that management 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 change in net assets during the period. Estimates are adjusted when necessary to reflect actual experience. Significant estimates and assumptions may affect many items in the financial statements. Actual results could differ from estimates and assumptions in amounts that may be material to the financial statements.

Cash and cash equivalents – The Organization's cash consists of cash and cash equivalents with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Concentrations of credit risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Property and equipment, net – Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Maintenance and repair costs are charged to earnings, while expenditures for major renewals and improvements are capitalized. Upon the disposition of property and equipment, the accumulated depreciation is deducted from the original cost, and any gain or loss is reflected in current earnings. For the financial statement purposes, depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The estimated useful lives for property and equipment categories are as follows:

Equipment	3 to 10 years
Autos and Trucks	5 to 10 years
Office and Computer Equipment	3 to 10 years

EMBRACE RELIEF FOUNDATION

Notes to Financial Statements

December 31, 2023

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Revenue recognition:

Contributions – Contributions, including an unconditional promise to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

In-kind donations – The Organization receives donated goods and supplies periodically. Donated goods and supplies, which are based upon information provided by third-party donors, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses.

Donated services - During the year ended December 31, 2023 certain volunteers have made contributions of their time in furtherance of The Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP, and was not material.

EMBRACE RELIEF FOUNDATION

Notes to Financial Statements

December 31, 2023

Functional expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Expenses directly attributable to a specific program of the Organization are reported as expenses of those functional areas and programs. Certain management and general costs have been allocated among program services and supporting services benefited, based on time and effort expended in a program. Such allocations are determined by management on an equitable basis that is consistently applied. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income taxes –The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered uncertain tax positions. Management has determined that there are no uncertain tax positions related to activities of open tax years, that require recognition or disclosure in the financial statements.

Leases - The Organization leases a facility used for office space and its daily operations. The Organization has included renewal options in the underlying lease terms where it is reasonably certain to exercise them. Substantially all of the Organization’s leases require a fixed annual rent and additional fixed common area maintenance expenses, including taxes and insurance.

Operating lease ROU (Right-of-Use) assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term. The Organization’s leases do not contain explicit borrowing rates. As such, the Organization has elected to use the risk-free rate, as permitted by ASC 842’s practical expedients available for non-public entities. The discount rate used for the lease accounting is 1.2630%, which was applicable for a 5-year treasury bill at the date of adoption of ASC 842.

Note 3 – Availability and Liquidity

The Organization's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of December 31, 2023:

Cash	\$ 442,346
Total financial assets	442,346
Less amounts not available to be used within one year and donor restricted assets	-
Financial assets available to meet general expenditures over the next twelve months	442,346

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of the liquidity management plan, the Organization maintains all available liquid funds in cash accounts.

EMBRACE RELIEF FOUNDATION

Notes to Financial Statements

December 31, 2023

Note 4 – Property and Equipment, Net

Property and equipment are recognized at cost and presented net of depreciation. As at December 31, 2023 the Organization’s property and equipment balances consist of the following:

Asset description	Cost	Accumulated depreciation opening balance	Current year depreciation	Accumulated depreciation closing balance	Net book value
Vehicle	77,503	16,809	15,501	32,310	45,193
Computers	3,857	2,817	298	3,115	742
Furniture	10,137	7,550	297	7,847	2,290
Equipment	5,000	5,000	-	5,000	-
Total	96,497	32,176	16,096	48,272	48,225

Note 5 – Leases

During 2022, the Organization adopted ASC 842 Leases standard, which requires to recognize lease liabilities and corresponding right-of-use (RoU) assets for both finance and operating leases. The Organization adopted the Lease standard effective from January 1, 2022 on modified prospective basis which is the first financial year with adoption cumulative adjustment being applied to beginning retained earnings.

The Organization applied package of practical expedients when adopting ACS 842, as permitted by the standard. Under these expedients the Organization did not reevaluate if the expired or continuing contracts contain any leases (including service contracts); the Organization did not reassess existing lease classifications; and the Organization did not reassess the initial direct costs associated with the expired or existing leases as at the adoption date.

The lease cost is presented within the Functional Expenses in the Statement of Activities. The Organization’s lease cost as follows:

	2023
Operating lease cost	\$ 52,919
Variable lease cost	22,730
Lease cost, net	75,649

EMBRACE RELIEF FOUNDATION

Notes to Financial Statements

December 31, 2023

The Organization leases a facility in Fairfield, New Jersey. The Organization's original lease term of five years ended November 30, 2021 and was renewed for an additional five years on December 1, 2021. The monthly base rent is approximately \$6,013 that is adjusted annually per lease agreement. As at December 31, 2023, minimum future annual lease payments as follows:

Years ending December 31	
2024	54,507
2025	56,142
2026	52,875
Total	\$ 163,524

Note 6 – Payroll taxes

All payroll tax returns, and payroll taxes have been filed and paid timely for the year ended December 31, 2023.

Note 7 – Net Assets

As of December 31, 2023, the Organization's net assets consisted of net assets without donor restrictions only, which were \$594,427.

Note 8 – Employee benefit plan

The Organization has a qualified defined employee plan Simple IRA, whereby eligible employees may contribute a percentage of compensation and the Organization contributes a discretionary match. For the year ended December 31, 2023 employer contribution were \$11,608. The plan administrative expenses for the year ended December 31, 2023 were \$1,400.

Note 9 – Subsequent events

Subsequent events after December 31, 2023, have been evaluated for possible adjustment to the financial statements or effect on its disclosures, as of May 15, 2024, which is the date that financial statements were available to be issued. During this period, there were no subsequent events that require adjustment or disclosure in the financial statements.