Audited Financial Statements

embrace global

December 31, 2024

Quigley & Miron

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Quigley & Miron

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Independent Auditor's Report

Board of Directors
Embrace Global
Murrieta, California

Opinion

We have audited the accompanying financial statements of Embrace Global, a nonprofit organization, which comprise the statement of financial position as of December 31, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of Embrace Global as of December 31, 2024, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 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 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 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.

Quigley & Miron

Los Angeles, California
April 18, 2025

Embrace Global
Statement of Financial Position
December 31, 2024

Assets		
Cash and cash equivalents	$	241,088
Contributions receivable, net—Note 4		807,969
Prepaid expenses		102,937
Property and equipment, net—Note 5		2,491
Total Assets	**$**	**1,154,485**
Liabilities and Net Assets		
Accounts payable and accrued expenses	$	35,956
Total Liabilities		**35,956**
Net Assets		
Without donor restrictions		267,108
With donor restrictions—Note 7		851,421
Total Net Assets		**1,118,529**
Total Net Assets and Liabilities	**$**	**1,154,485**

See notes to financial statements.

Embrace Global
Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Support and Revenues			
Contributions	$ 728,664	$ 1,035,952	$ 1,764,616
In-kind donations—Note 8	48,689		48,689
Other income	1,752		1,752
Interest income	7,999		7,999
Net assets released from restrictions	184,531	(184,531)	
Total Support and Revenues	**971,635**	**851,421**	**1,823,056**
Expenses			
Incubator program	510,038		510,038
Supporting services			
Management and general	127,333		127,333
Fundraising	227,690		227,690
Total Expenses	**865,061**		**865,061**
Change in Net Assets	**106,574**	**851,421**	**957,995**
Net Assets at Beginning of Year	**160,534**		**160,534**
Net Assets at End of Year	**$ 267,108**	**$ 851,421**	**$ 1,118,529**

See notes to financial statements.

Embrace Global
Statement of Functional Expenses
Year Ended December 31, 2024

	Incubator Program	Management and General	Fundraising	Total
Salaries	$ 150,188	$ 61,065	$ 61,263	$ 272,516
Payroll taxes	11,501	4,398	4,940	20,839
Employee benefits	10,126	3,576	8,251	21,953
Total Personnel Expenses	**171,815**	**69,039**	**74,454**	**315,308**
Professional fees	82,295	10,691	88,815	181,801
Incubators	134,096			134,096
Legal services	45,355	7,355	7,355	60,065
Postage and shipping	41,006			41,006
Accounting	9,828	9,828	9,828	29,484
Training	3,512	3,641	15,442	22,595
Dues and subscriptions	7,408	7,407	7,407	22,222
Travel	6,165	2,816	10,273	19,254
Information technology	3,008	3,008	8,567	14,583
Bank charges	1,905	1,905	1,905	5,715
Occupancy	1,399	1,399	1,399	4,197
Office supplies		3,081		3,081
Insurance	932	932	932	2,796
Miscellaneous expenses		2,648		2,648
Telephone	879	879	879	2,637
Interest expense		1,558		1,558
Supplies and equipment	435	434	434	1,303
Depreciation		712		712
Total Expenses	**$ 510,038**	**$ 127,333**	**$ 227,690**	**$ 865,061**

See notes to financial statements.

Embrace Global
Statement of Cash Flows
Year Ended December 31, 2024

Cash Flows from Operating Activities		
Change in net assets	$	957,995
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		712
Changes in operating assets and liabilities:		
Inventory		38,725
Contributions receivable, net		(807,969)
Prepaid expenses		(102,937)
Accounts payable and accrued expenses		(23,216)
Net Cash Provided by Operating Activities		**63,310**
Cash Flows from Investing Activities		
Purchases of property and equipment		(3,203)
Net Cash Used in Investing Activities		**(3,203)**
Increase in Cash and Cash Equivalents		**60,107**
Cash and Cash Equivalents at Beginning of Year		**180,981**
Cash and Cash Equivalents at End of Year	**$**	**241,088**
Supplementary Disclosures		
Interest paid	$	1,558
Income taxes paid	$	

See notes to financial statements.

Note 1—Organization

Embrace Global's mission is to provide every infant in the world access to incubators to help regulate their body temperature regardless of where they live and if they can afford it. At Embrace Global, we believe every baby deserves a chance at life—no matter where they are born. Our mission is simple: to create a world where every baby has access to the critical warmth they need to survive and thrive. Each year, more than 13 million babies are born premature. Complications from preterm birth and low birth weight are the leading causes of death among children worldwide. Most of these deaths are preventable – yet traditional incubators remain out of reach for many communities due to high costs, unreliable electricity, and the lack of trained healthcare professionals. Embrace Global was incorporated in the State of California in 2021 and is exempt from tax under section 501(c)(3) of the internal revenue code.

Our focus areas include:

- Emergency relief: we rapidly deploy incubators to humanitarian crises.
- Supporting equity: we donate incubators to countries with high infant mortality rates, working with trusted partners to deliver incubators where they are needed most.
- Access & collaboration: we partner with non-governmental organizations, UN agencies, and governments to provide incubators and training.

Embrace Global's portable incubator provides a practical, affordable solution. Using innovative phase-change material, it maintains 98°f for 4 to 6 hours without continuous electricity. Lightweight, portable, and easy to use, it complements kangaroo mother care and can be reused hundreds of times, making it ideal for underserved regions.

In 2024, we reached over 790,000 babies across 25 countries, delivering our life-saving portable incubators to some of the world's most vulnerable regions. From responding swiftly to humanitarian crises in Gaza, Ukraine, and Yemen, strengthening partnerships in Zambia and Syria, we have continued to expand our impact and bring hope to families in need.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Embrace Global's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of Embrace Global and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of Embrace Global. These net assets may be used at the discretion of Embrace Global's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of Embrace Global and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit Embrace Global to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Note 2—Summary of Significant Accounting Policies—*Continued*

Measure of Operations—The statement 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 Embrace Global's portable incubator program. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. Embrace Global did not engage in any reportable nonoperating activities during the year ended December 31, 2024.

Income Taxes—No provision has been made for federal or state income taxes because Embrace Global is exempt from such taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations. In addition, the Internal Revenue Service has determined that Embrace Global is not a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2024. Generally, Embrace Global 's information returns remain open for examination three (federal) and four (state) years from the date of filing.

Cash and Cash Equivalents—For purposes of the statement of cash flows, Embrace Global considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk—Financial instruments which potentially subject Embrace Global to concentrations of credit risk consist of cash and cash equivalents and contributions receivable.

Embrace Global places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. Such cash balances are normally not in excess of FDIC insurance limits.

While Embrace Global is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, Embrace Global's management has assessed the credit risk associated with its cash deposits at December 31, 2024 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments.

Contributions receivable at December 31, 2024 are due from individuals and nonprofit organizations well-known to Embrace Global, with favorable past payment histories. Management of Embrace Global has assessed the credit risk associated with these accounts receivable and has determined that an allowance for potential credit losses is not necessary.

For the year ended December 31, 2024, one entity represented 51% and 99% of total contributions receivable, net and contribution revenue, respectively.

Recently Adopted Accounting Principle—In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income, including loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. Embrace Global adopted ASU No. 2016-13 on a retrospective basis for the year ended December 31, 2024 with no resulting impact on the financial statement presentation.

Note 2—Summary of Significant Accounting Policies—*Continued*

<u>In-Kind Contributions</u>—Embrace Global records the value of donated materials and services at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

<u>Interest Income</u>—Interest income earned on cash equivalents is recognized when received and is reported as interest income under support and revenues in the statement of activities.

<u>Functional Expenses</u>—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, payroll taxes, and employee benefits are allocated on the basis of estimates of time and effort. Accounting, dues and subscriptions, bank charges, occupancy, insurance, telephone, and supplies and equipment are allocated on a proportional basis. All other functional expenses are charged directly to programs or the management and general and fundraising functional categories.

<u>Use of Estimates</u>—The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Note 3—Availability and Liquidity

Embrace Global's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $220,000). The following represents the availability and liquidity of Embrace Global's financial assets at December 31, 2024 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	$	197,636
Contributions receivable, net		106,000
Current Availability of Financial Assets	**$**	**303,636**

Note 4—Contributions Receivable, Net

The maturities of contributions receivable as of December 31, 2024 are as follows:

Year Ending December 31,		
2025	$	106,000
2026		100,000
2027		100,000
2028		100,000
2029		100,000
Thereafter		400,000
Gross		**906,000**
Less present value discount of 3%		(98,031)
Net	**$**	**807,969**

Note 5—Property and Equipment, Net

Net property and equipment at December 31, 2024 consists of the following:

Equipment	$	3,203
Less accumulated depreciation		(712)
Net	**$**	**2,491**

Depreciation expense totaled $712 for the year ended December 31, 2024.

Note 6—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although that is a possibility, Embrace Global deems the contingency remote, since it has made its best efforts to comply in all material respects with the provisions of each grant.

Note 7—Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended December 31, 2024 are as follows:

Subject to purpose restrictions:		
Gaza	$	43,452
Subject to time restrictions:		
General operations		807,969
Total Net Assets with Donor Restrictions	**$**	**851,421**

Net assets released from donor restrictions for the year ended December 31, 2024 are as follows:

Satisfaction of purpose restrictions:		
Gaza	$	84,531
Satisfaction of passage of time:		
General operations		100,000
Total Net Assets Released from Donor Restrictions	**$**	**184,531**

Note 8—In-Kind Contributions

For the year ended December 31, 2024, in-kind contributions consisting of legal services in the amount of $38,000 and postage and shipping in the amount of $10,689 are included in the statement of activities under support and revenues and in the statement of functional expenses under their respective expense captions. In-kind contributions of legal services were valued based on an average hourly rate of $1,165 for legal services provided by a law firm while in-kind contributions of postage and shipping were valued based on the blended rates of shipping services including air freight and other fees provided by a shipping company delivering incubators to various countries. In-kind contributions were received without donor restrictions and were used exclusively for the incubator program. Additionally, in-kind contributions were not monetized during the year ended December 31, 2024.

Note 9—Subsequent Events

Management evaluated all activities of Embrace Global through April 18, 2025, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.