

E.L.E.M. YOUTH IN DISTRESS, INC.  
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014 and 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
E.L.E.M. Youth in Distress, Inc.

We have audited the accompanying financial statements of E.L.E.M. Youth in Distress, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows 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 statement. 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.

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 E.L.E.M. Youth in Distress, Inc. as of December 31, 2014 and 2013, 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.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



New York, NY  
September 11, 2015

E.L.E.M. YOUTH IN DISTRESS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 183,345	\$ 88,980
Certificates of deposit	410,800	512,155
Investments - securities	102	102
Security deposit	7,692	6,933
Contribution receivable	68,000	-
Other receivables	-	160
Internet site development cost and software, net of accumulated amortization of \$16,322 and \$15,175 in 2014 and 2013	7,081	2,025
Computer Equipment – net of accumulated depreciation of \$1,169 in 2014 and 2013	<u>-</u>	<u>129</u>
Total Assets	\$ <u><u>677,020</u></u>	\$ <u><u>610,484</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ <u>8,813</u>	\$ <u>-</u>
Total Liabilities	<u>8,813</u>	<u>-</u>
<b>NET ASSETS</b>		
Unrestricted net assets	257,407	97,731
Temporarily restricted net assets	10,800	112,753
Permanently restricted net assets	<u>400,000</u>	<u>400,000</u>
Total Net Assets	<u>668,207</u>	<u>610,484</u>
Total Liabilities and Net Assets	\$ <u><u>677,020</u></u>	\$ <u><u>610,484</u></u>

See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Unrestricted Net Assets</b>		
Unrestricted Revenues, Gains, and Other Support		
Contributions	\$ 595,191	\$ 379,188
Special event revenue	<u>444,993</u>	<u>504,676</u>
Total Unrestricted Revenue and Gains	1,040,184	883,864
Net assets released from restrictions	<u>104,132</u>	<u>-</u>
Total Unrestricted Revenue, Gains and Other Support	<u>1,144,316</u>	<u>883,864</u>
Expenses:		
Grants to E.L.E.M./Youth in Distress in Israel	625,000	582,736
Fund raising	143,181	130,236
Cost of direct benefits to donors	92,595	90,921
Management and general	<u>123,864</u>	<u>115,669</u>
Total Expenses	<u>984,640</u>	<u>919,562</u>
<b>Change in Unrestricted Net Assets</b>	159,676	(35,698)
<b>Temporarily Restricted Net Assets</b>		
Interest income	2,179	3,549
Net assets released from restrictions	<u>(104,132)</u>	<u>-</u>
<b>Change in Temporarily Restricted Net Assets</b>	(101,953)	3,549
Change in Total Net Assets	<u>57,723</u>	<u>(32,149)</u>
Net Assets at Beginning of Year	<u>610,484</u>	<u>642,633</u>
Net Assets at End of Year	<u>\$ 668,207</u>	<u>\$ 610,484</u>

See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase (Decrease) in net assets	\$ 57,723	\$ (32,149)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,147	1,218
(Increase) decrease in operating assets		
Miscellaneous - other	291	-
Rent security deposit	(760)	-
Contribution receivable	(68,000)	-
Increase (decrease) in operating liabilities		
Accounts payable	<u>8,813</u>	<u>-</u>
Net cash used by operating activities	<u>(786)</u>	<u>(30,931)</u>
Cash flows from investing activities:		
Computer software	(6,202)	-
Certificate of deposit	<u>101,353</u>	<u>(3,551)</u>
Net cash provided (used) by investing activities	<u>95,151</u>	<u>(3,551)</u>
Increase (decrease) in Cash	94,365	(34,482)
Cash - beginning of the year	<u>88,980</u>	<u>123,462</u>
Cash - end of the year	<u>\$ 183,345</u>	<u>\$ 88,980</u>

See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

1) **Purpose of the Organization and Significant Accounting Policies**

**Organization**

E.L.E.M. Youth in Distress, Inc. (the "Organization"), is a not for profit organization that sponsors a multitude of service programs for homeless and runaway at-risk youth who are in need of assistance. It was founded in 1981 by a group of volunteers from Israel and the United States in order to help youth-at-risk becomes productive citizens, contributing to the society and the nation.

**Depreciation**

The organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Depreciation of equipment is provided for under the straight-line method over 3 to 7 years. Internet site development cost is amortized over 15 years. Computer software is amortized over 3 years.

**Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies followed by the Organization are described below.

The Organization adheres to the provisions of Accounting Standards Codification ("ASC") Topic 958-605, "Revenue Recognition", Topic 958-205, "Presentation of Financial Statements", and Topic 958-320, "Investments", issued by the Financial Accounting Standard Board.

The Organization maintains its net assets under the following three classes:

- i) Unrestricted – represents available for support to the Organization's operations over which the Board of Directors has discretionary control.
- ii) Temporarily restricted – represent net assets resulting from contributions and other inflow of assets whose use by the Organization is limited by donor-imposed stipulations that either expired by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reported in the statements of activities as net asset released from restrictions. At December 31, 2014 and 2013, the Organization had \$10,800 and \$112,753 respectively of temporarily restricted net assets.
- iii) Permanently restricted - represents net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. At December 31, 2014 and 2013, the Organization had \$400,000 of permanently restricted net assets.



E.L.E.M. YOUTH IN DISTRESS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2014 and 2013

**1) Purpose of the Organization and Significant Accounting Policies (Continue)**

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

**Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Certificate of Deposit**

Certificates of deposit totaling \$410,800 IDB in Israel is included in the statement of financial position. The certificate bears interest of 0.75% and matures on December 24, 2015.

**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 certain reported amounts and disclosures at the date of the financial statements. Accordingly, actual results could differ from those estimates.

**2) Cash and Cash Equivalents**

	<u>2014</u>	<u>2013</u>
Chase – checking	\$ 182,845	\$ 120,212
Petty cash	500	-
State of Israel Bond (matured)	-	3,250
	<u>\$ 183,345</u>	<u>\$ 123,462</u>

**3) Donated Services**

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

E.L.E.M. YOUTH IN DISTRESS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

4) **Income Taxes**

The Organization was incorporated under the Not-For-Profit Corporation Act of the State of New York and, as such, is an exempt “publicly supported organization” under Section 501 (c) (3) of the Internal Revenue Code.

The Organization has no uncertain tax positions as of December 31, 2014 in accordance with Accounting Standards Codification (“ASC”) Topic 740, which provides standards for establishing and classifying any tax provision for uncertain tax positions. The Organization is no longer subject to federal or state and local tax examinations by tax authorities for years before 2011.

5) **Operating Lease**

On March 4, 2014 the Organization entered into a lease agreement commencing August 1, 2014 where the total obligation on a monthly basis will be \$4,781 per month in addition to real estate tax and cost of living escalations. The organization entered into sharing agreement with its co-tenant where the organization will pay 50 percent of the total rental cost including real estate tax, cost of living escalation and electricity less sublet income that it collects. The net monthly rental cost is expected to be \$1,594 per month plus real estate tax and cost of living escalations. The organization leases its office space under the terms of an operating lease that expires July 31, 2019. Rental expense for this lease consisted of \$23,173 for the year ended December 31, 2014.

The future minimum lease payments are as follows:

2015	\$	19,128
2016		19,128
2017		19,128
2018		19,128
2019		11,158

6) **Concentration of Credit Risk**

The Organization maintains a certificate of deposit in the amount of \$410,800 as of December 31, 2014 which is uninsured.

E.L.E.M. YOUTH IN DISTRESS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

7) **Donor-designated Endowments**

The Organization's endowment consists of one fund which is donor-restricted fund. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies:*

The donor-restricted endowment fund is invested in Bank Certificate Deposit pursuant to the Organization's investment and spending objectives of subjecting the fund to low investment risk and providing its programs with current income.

*Spending Policy:*

The current spending policy is to only spend the dividends and interest earned on the investments.

E.L.E.M. YOUTH IN DISTRESS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2014 and 2013

7) **Donor-designated Endowments (Continue)**

Endowment Net Asset Composition by Type of Fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment fund	-	\$10,800	\$400,000	\$410,800

Changes in Endowment Net Assets as of December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, Dec 31, 2013	-	\$112,753	\$400,000	\$512,753
Investment income	-	2,179	-	2,129
Transfer to unrestricted	<u>-</u>	<u>(104,132)</u>	<u>-</u>	<u>(104,082)</u>
Endowment net assets, Dec 31, 2014	<u>\$ -</u>	<u>\$ 10,800</u>	<u>\$400,000</u>	<u>\$410,800</u>

8) **Commitments and Contingencies**

A certificate of deposit totaling \$400,000 with a maturity of twelve months is deposited with the Israel Discount Bank, Ltd in Israel is being used by ELEM – Israel to guarantee their bank loan.

9) **Subsequent events**

Date of Management Evaluation

In preparing financial statements, management has evaluated subsequent events and transactions for potential recognition or disclosure through September 11<sup>th</sup>, 2015, the date on which the financial statements were available to be issued.

E.L.E.M. YOUTH IN DISTRESS, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
DECEMBER 31, 2014

	<u>Totals</u>	<u>Management and General</u>	<u>Cost of Direct Benefits to donors</u>	<u>Fundraising</u>
Salaries	\$ 122,886	\$ 42,395		\$ 80,491
Payroll taxes and employee benefits	43,759	13,337		30,422
Fund raising expenses	12,648			12,648
Fund raising-Gala	69,510		\$ 69,510	
Fund raising-Theater	369		369	
Fund raising-Ballet Next	210		210	
Fund raising-Cocktail Party	4,606		4,606	
Fund raising-Art Auction	17,800		17,800	
Fund raising-Wine/Jazz	100		100	
NYS fees	250	250		
Computer and website expenses	1,769	1,769		
Telephone	2,059	2,059		
Office expenses	7,288	7,288		
Rent	23,173	23,173		
Postage and shipping	1,579	1,579		
Professional fees	30,484	10,864		19,620
Bank fee	5,844	5,844		
Payroll service charges	2,741	2,741		
Insurance	3,409	3,409		
Transportation	3,022	3,022		
Travel	3,721	3,721		
Meeting expenses	908	908		
Miscellaneous expense	358	358		
Depreciation and Amortization expense	1,147	1,147		
	<u>\$ 359,640</u>	<u>\$ 123,864</u>	<u>\$ 92,595</u>	<u>\$ 143,181</u>
Grants to E.L.E.M./Youth in Distress in Israel	625,000			
<b>Total expenses</b>	<u>\$ 984,640</u>			

E.L.E.M. YOUTH IN DISTRESS, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
DECEMBER 31, 2013

	<u>Totals</u>	<u>Management and General</u>	<u>Cost of Direct Benefits to donors</u>	<u>Fundraising</u>
Salaries	\$ 125,942	\$ 45,446		\$ 80,496
Payroll taxes and employee benefits	42,366	12,376		29,990
Fund raising expenses	8,279			8,279
Fund raising-Gala	67,114		\$ 67,114	
Fund raising-Theater	19,143		19,143	
Fund raising-Community Dinner	525		525	
Fund raising-Cocktail Party	2,641		2,641	
Fund raising-Art Auction	1,409		1,409	
Fund raising-ELEM Entry	89		89	
Translators	200			200
Computer and website expenses	1,822	1,822		
Telephone	2,217	2,217		
Office expenses	2,949	2,949		
Rent	20,692	20,692		
Postage and shipping	1,351	1,351		
Professional fees	13,500	12,000		1,500
Bank fee	3,443	3,443		
Payroll service charges	2,291	2,291		
Professional training	60	60		
Insurance	4,230	4,230		
Transportation	4,614	4,614		
Travel	9,771	9,771		
Meeting expenses	964	964		
Depreciation and Amortization Expense	1,214	1,214		
	<u>\$ 336,826</u>	<u>\$ 125,440</u>	<u>\$ 90,921</u>	<u>\$ 120,465</u>
Grants to E.L.E.M./Youth in Distress in Israel	582,736			
<b>Total expenses</b>	<u><u>\$ 919,562</u></u>			