

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

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015 and 2014

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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 statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 11 and 12 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
August 5, 2016

Handwritten signature in cursive script, reading "D. W. Bell C.P.A., C."

E.L.E.M. YOUTH IN DISTRESS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 165,849	\$ 183,345
Certificates of deposit	413,064	410,800
Investments - securities	100	102
Security deposit	7,692	7,692
Contribution receivable	55,000	68,000
Prepaid expenses	14,398	-
Internet site development cost and software, net of accumulated amortization of \$21,235 and \$16,322 in 2015 and 2014	8,372	7,081
Computer Equipment – net of accumulated depreciation of \$1,169 in 2015 and 2014	<u>-</u>	<u>-</u>
Total Assets	\$ <u><u>664,475</u></u>	\$ <u><u>677,020</u></u>
LIABILITIES		
Accounts payable	<u>-</u>	\$ <u>8,813</u>
Total Liabilities	<u>-</u>	<u>8,813</u>
NET ASSETS		
Unrestricted net assets	251,411	257,407
Temporarily restricted net assets	13,064	10,800
Permanently restricted net assets	<u>400,000</u>	<u>400,000</u>
Total Net Assets	<u>664,475</u>	<u>668,207</u>
Total Liabilities and Net Assets	\$ <u><u>664,475</u></u>	\$ <u><u>677,020</u></u>

See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Net Assets		
Unrestricted Revenues, Gains, and Other Support		
Contributions	\$ 547,004	\$ 595,191
Special event revenue	<u>366,195</u>	<u>444,993</u>
Total Unrestricted Revenue and Gains	913,199	1,040,184
Net assets released from restrictions	<u>-</u>	<u>104,132</u>
Total Unrestricted Revenue, Gains and Other Support	<u>913,199</u>	<u>1,144,316</u>
Expenses:		
Grants to E.L.E.M./Youth in Distress in Israel	451,500	625,000
Fund raising	215,252	143,181
Cost of direct benefits to donors	86,915	92,595
Management and general	<u>165,528</u>	<u>123,864</u>
Total Expenses	<u>919,195</u>	<u>984,640</u>
Change in Unrestricted Net Assets	(5,996)	159,676
Temporarily Restricted Net Assets		
Interest and dividend income	2,264	2,179
Net assets released from restrictions	<u>-</u>	<u>(104,132)</u>
Change in Temporarily Restricted Net Assets	2,264	(101,953)
Change in Total Net Assets	<u>(3,732)</u>	<u>57,723</u>
Net Assets at Beginning of Year	<u>668,207</u>	<u>610,484</u>
Net Assets at End of Year	<u>\$ 664,475</u>	<u>\$ 668,207</u>

See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (3,732)	\$ 57,723
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,913	1,147
(Increase) decrease in operating assets		
Prepaid expenses and other	(14,396)	291
Rent security deposit	-	(760)
Contribution receivable	13,000	(68,000)
Increase (decrease) in operating liabilities		
Accounts payable	<u>(8,813)</u>	<u>8,813</u>
Net cash used by operating activities	<u>(9,028)</u>	<u>(786)</u>
Cash flows from investing activities:		
Computer software	(6,204)	(6,202)
Certificate of deposit	<u>(2,264)</u>	<u>101,353</u>
Net cash (used) provided by investing activities	<u>(8,468)</u>	<u>95,151</u>
(Decrease) Increase in Cash	(17,496)	94,365
Cash - beginning of the year	<u>183,345</u>	<u>88,980</u>
Cash - end of the year	<u>\$ 165,849</u>	<u>\$ 183,345</u>

See Accompanying Notes to Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

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.

Property and Equipment

The organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost (or fair value if contributed). 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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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, 2015 and 2014, the Organization had \$13,064 and \$10,800 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, 2015 and 2014, the Organization had \$400,000 of permanently restricted net assets.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

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 \$413,064 IDB in Israel is included in the statement of financial position. The certificate bears interest of 0.7% and matures on December 24, 2016.

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.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. Unconditional promises to give cash at December 31, 2015 (payable within one year) are \$55,000.

2) **Cash and Cash Equivalents**

	<u>2015</u>	<u>2014</u>
Chase – checking	\$ 165,326	\$ 182,845
Petty cash	<u>523</u>	<u>500</u>
	<u>\$ 165,849</u>	<u>\$ 183,345</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, 2015 and 2014

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, 2015 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 2012.

5) **Operating Lease**

On March 4, 2014 the Organization entered into a 5 years 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. On May 20, 2015, the Organization entered into a sublease commencing August 1, 2015 and ending July 30, 2019. The monthly rental income is 1,350, where the Organization’s share is 50%. 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 \$26,817 for the year ended December 31, 2015 and \$23,173 for the year ended December 31, 2014.

The future minimum lease payments are as follows:

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

6) **Concentration of Credit Risk**

The Organization may be subject to concentration of credit risk due to its cash and cash equivalent investments, which are placed with high credit quality financial institution insured by the Federal Deposit Insurance Corporation (“FDIC”). Occasionally during the year, the balance in a financial institution may exceed the FDIC \$250,000 deposit insurance amount, that excess is uninsured.

The Organization also maintains a certificate of deposit at a financial institution outside of the United States of America in the amount of \$413,064 as of December 31, 2015 which is uninsured.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

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, 2015 and 2014

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment fund	-	\$13,064	\$400,000	\$413,064

Changes in Endowment Net Assets as of December 31, 2015 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, 2014	-	\$ 10,800	\$400,000	\$410,800
Investment income	-	2,264	-	2,264
Transfer to unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, Dec 31, 2015	<u>\$ -</u>	<u>\$ 13,064</u>	<u>\$400,000</u>	<u>\$413,064</u>

8) **Commitments and Contingencies**

A certificate of deposit totaling \$413,064 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 August 5, 2016, 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, 2015

	<u>Totals</u>	<u>Management and General</u>	<u>Cost of Direct Benefits to donors</u>	<u>Fundraising</u>
Salaries	\$ 187,263	\$ 57,032		\$ 130,231
Payroll taxes and employee benefits	39,713	11,036		28,677
Fund raising expenses	56,344			56,344
Fund raising-Gala	85,915		\$ 85,915	
Fund raising-Art Auction	1,000		1,000	
State charities registration fees and costs	12,698	12,698		
Computer and website expenses	11,792	11,792		
Telephone	1,673	1,673		
Office expenses	10,469	10,469		
Rent	26,817	26,817		
Postage and shipping	2,422	2,422		
Professional fees	9,000	9,000		
Bank fee	4,834	4,834		
Payroll service charges	2,375	2,375		
Insurance	3,120	3,120		
Transportation	963	963		
Travel	4,365	4,365		
Meeting expenses	2,019	2,019		
Depreciation and Amortization expense	4,913	4,913		
	<u>\$ 467,695</u>	<u>\$ 165,528</u>	<u>\$ 86,915</u>	<u>\$ 215,252</u>
Grants to E.L.E.M./Youth in Distress in Israel	451,500			
Total expenses	<u>\$ 919,195</u>			

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			
Total expenses	<u>\$ 984,640</u>			