

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

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2017 and 2016

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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, 2017 and 2016, 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 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.

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, 2017 and 2016, 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.

Report on Supplementary Information

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
October 31, 2018

A handwritten signature in black ink, appearing to read "D. W. Bell CPA, P.C.", is written in a cursive style.

E.L.E.M. YOUTH IN DISTRESS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 215,820	\$ 100,929
Certificates of deposit	418,406	415,364
Investments - securities	100	100
Security deposit	7,692	7,692
Internet site development cost and software, net of accumulated amortization of \$29,605 and \$25,470 in 2017 and 2016	-	4,137
	<hr/>	<hr/>
Total Assets	\$ <u>642,018</u>	\$ <u>528,222</u>
NET ASSETS		
Unrestricted net assets	\$ 223,612	\$ 112,858
Temporarily restricted net assets	18,406	15,364
Permanently restricted net assets	<u>400,000</u>	<u>400,000</u>
	<hr/>	<hr/>
Total Net Assets	642,018	528,222
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ <u>642,018</u>	\$ <u>528,222</u>

See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Unrestricted Revenues, Gains, and Other Support		
Contributions	\$ 630,885	\$ 393,379
Special event revenue	<u>353,223</u>	<u>434,410</u>
Total Unrestricted Revenue and Gains	<u>984,108</u>	<u>827,789</u>
Total Unrestricted Revenue, Gains and Other Support	<u>984,108</u>	<u>827,789</u>
Expenses:		
Program and Grants to E.L.E.M./Youth in Distress in Israel	556,081	597,719
Fund raising	92,550	108,391
Cost of direct benefits to donors	66,057	77,968
Management and general	<u>158,666</u>	<u>182,264</u>
Total Expenses	<u>873,354</u>	<u>966,342</u>
Increase (decrease) in Unrestricted Net Assets	110,754	(138,553)
Temporarily Restricted Net Assets		
Interest and dividend income	<u>3,042</u>	<u>2,300</u>
Increase in Temporarily Restricted Net Assets	3,042	2,300
Increase (decrease) in Net Assets	<u>113,796</u>	<u>(136,253)</u>
Net Assets at Beginning of Year	<u>528,222</u>	<u>664,475</u>
Net Assets at End of Year	<u>\$ 642,018</u>	<u>\$ 528,222</u>

See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (Decrease) in net assets	\$ 113,796	\$ (136,253)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,137	4,235
(Increase) decrease in operating assets		
Prepaid expenses and other	-	14,398
Contribution receivable	-	55,000
	<u>117,933</u>	<u>(62,620)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Certificate of deposit	<u>(3,042)</u>	<u>(2,300)</u>
Net cash used by investing activities	<u>(3,042)</u>	<u>(2,300)</u>
Net Increase (decrease) in Cash	114,891	(64,920)
Cash - beginning of the year	<u>100,929</u>	<u>165,849</u>
Cash - end of the year	<u>\$ 215,820</u>	<u>\$ 100,929</u>

See Accompanying Notes to Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

1) **Nature of Activities and Significant Accounting Policies**

Nature of Activities

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. E.L.E.M. USA is committed to educating the community on issues related to troubled youth and young adults in Israel including mental health; drug addiction; victims of domestic and sexual abuse; neglect; involvement with the court system and integrating new immigrants.

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, 2017 and 2016, the Organization had \$18,406 and \$15,364 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, 2017 and 2016, the Organization had \$400,000 of permanently restricted net assets.

E.L.E.M. YOUTH IN DISTRESS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017 and 2016

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

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

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

Certificate of Deposit

Certificates of deposit totaling \$418,406 IDB in Israel is included in the statement of financial position. The certificate bears interest of 1% and matures on December 24, 2018.

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. There were no unconditional promises to give cash at December 31, 2017 and 2016.

2) **Cash and Cash Equivalents**

	<u>2017</u>	<u>2016</u>
Chase – checking	\$ 215,602	\$ 100,742
Petty cash	<u>218</u>	<u>187</u>
	<u>\$ 215,820</u>	<u>\$ 100,929</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, 2017 and 2016

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 accounts for uncertain tax positions when it is more likely than not that such an asset or a liability will be realized. As of December 31, 2017 and December 31, 2016 management believes there were no uncertain tax positions.

The Organization is no longer subject to federal or state and local tax examinations by tax authorities for years before 2014.

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 \$23,674 for the year ended December 31, 2017 and \$23,036 for the year ended December 31, 2016.

The future minimum lease payments are as follows:

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 \$418,406 as of December 31, 2017 which is uninsured.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

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, 2017 and 2016

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment fund	-	\$18,406	\$400,000	\$418,406

Changes in Endowment Net Assets as of December 31, 2017 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, 2016	-	\$ 15,364	\$400,000	\$415,364
Investment income	-	3,042	-	3,042
Transfer to unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, Dec 31, 2017	<u>\$ -</u>	<u>\$ 18,406</u>	<u>\$400,000</u>	<u>\$418,406</u>

8) **Commitments and Contingencies**

A certificate of deposit totaling \$418,406 with a maturity of twelve months is deposited with the Israel Discount Bank, Ltd in Israel and is being used by ELEM – Israel to guarantee their bank loan.

9) **Subsequent events**

Date of Management Evaluation

The Organization has evaluated subsequent events through October 31, 2018, 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, 2017

	<u>Totals</u>	<u>Program</u>	<u>Management and General</u>	<u>Cost of Direct Benefits to donors</u>	<u>Fundraising</u>
Salaries	\$ 149,752	\$ 30,294	\$ 79,066	\$	\$ 40,392
Payroll taxes and employee benefits	26,201	4,153	16,510		5,538
Grants to E.L.E.M/Youth in Distress in Israel	511,250	511,250			
Fund raising expenses	30,747				30,747
Fund raising-Gala	66,057			66,057	
Education	10,384	10,384			
State charities registration fees and costs	14,793				14,793
Computer and website expenses	6,297		6,297		
Telephone	2,137		2,137		
Office expenses	2,733		2,733		
Rent	23,674		23,674		
Postage and shipping	3,253		3,253		
Professional fees	10,203	-	9,123		1,080
Bank fee	5,234		5,234		
Payroll service charges	1,667		1,667		
Insurance	3,969		3,969		
Transportation	348		348		
Meeting expenses	520		520		
Depreciation and Amortization expense	4,135		4,135		
	<u>\$ 873,354</u>	<u>\$ 556,081</u>	<u>\$ 158,666</u>	<u>\$ 66,057</u>	<u>\$ 92,550</u>

E.L.E.M. YOUTH IN DISTRESS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
DECEMBER 31, 2016

	<u>Totals</u>	<u>Program</u>	<u>Management and General</u>	<u>Cost of Direct Benefits to donors</u>	<u>Fundraising</u>
Salaries	\$ 209,400	\$ 48,000	96,939		\$ 64,461
Payroll taxes and employee benefits	44,457	9,536	22,163		12,758
Grants to E.L.E.M/Youth in Distress in Israel	517,163	517,163			
Fund raising expenses	16,673				16,673
Fund raising-Gala	77,968			\$ 77,968	
Education	20,248	20,248			
State charities registration fees and costs	13,311				13,311
Computer and website expenses	5,787		5,787		
Telephone	1,467		1,467		
Office expenses	3,108		3,108		
Rent	23,036		23,036		
Postage and shipping	3,476		3,476		
Professional fees	12,960	2,772	9,000		1,188
Bank fee	4,766		4,766		
Payroll service charges	1,783		1,783		
Insurance	3,391		3,391		
Transportation	1,175		1,175		
Travel	50		50		
Meeting expenses	1,888		1,888		
Depreciation and Amortization expense	4,235		4,235		
	<u>\$ 966,342</u>	<u>\$ 597,719</u>	<u>182,264</u>	<u>\$ 77,968</u>	<u>\$ 108,391</u>