

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

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018 and 2017

## TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-13



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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, 2018 and 2017, 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, 2018 and 2017, 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.

A handwritten signature in black ink, appearing to read "B. H. Sobel CPA PC", written in a cursive style.

New York, NY  
October 31, 2019

E.L.E.M. YOUTH IN DISTRESS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 256,135	\$ 215,820
Certificates of deposit	422,917	418,406
Investments - securities	100	100
Security deposit	7,692	7,692
Contribution receivable	<u>35,000</u>	<u>-</u>
Total Assets	<u>\$ 721,844</u>	<u>\$ 642,018</u>
<b>LIABILITIES</b>		
Miscellaneous payable	\$ 626	\$ -
Total Liabilities	<u>\$ 626</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Without donor restrictions	\$ 298,301	\$ 223,612
With donor restrictions	<u>422,917</u>	<u>418,406</u>
Total Net Assets	<u>721,218</u>	<u>642,018</u>
Total Liabilities and Net Assets	<u>\$ 721,844</u>	<u>\$ 642,018</u>

See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenues and gains		
Contributions	\$ 260,126	\$ 630,885
Special event revenue	318,421	353,223
	<hr/>	<hr/>
Total revenues and gains without donor restrictions	578,547	984,108
	<hr/>	<hr/>
Expenses:		
Program and Grants to E.L.E.M./Youth in Distress in Israel	239,183	556,081
Fund raising	61,170	92,550
Cost of direct benefits to donors	75,465	66,057
Management and general	128,040	158,666
	<hr/>	<hr/>
Total Expenses	503,858	873,354
	<hr/>	<hr/>
<b>Increase in Net Assets without donor restrictions</b>	74,689	110,754
<b>Changes in Net Assets with donor restrictions</b>		
Interest income	4,511	3,042
	<hr/>	<hr/>
<b>Increase in Net Assets with donor restrictions</b>	4,511	3,042
	<hr/>	<hr/>
<b>Increase in Net Assets</b>	79,200	113,796
	<hr/>	<hr/>
<b>Net Assets at Beginning of Year</b>	642,018	528,222
	<hr/>	<hr/>
<b>Net Assets at End of Year</b>	\$ 721,218	\$ 642,018
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See Accompanying Notes to Financial Statements

E.L.E.M. YOUTH IN DISTRESS, INC.  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase (Decrease) in net assets	\$ 79,200	\$ 113,796
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	-	4,137
(Increase) decrease in operating assets		
Contribution receivable	(35,000)	-
Increase (decrease) in operating liabilities		
Accounts payable	<u>626</u>	<u>-</u>
Net cash provided by operating activities	<u>44,826</u>	<u>117,933</u>
Cash flows from investing activities:		
Certificate of deposit	<u>(4,511)</u>	<u>(3,042)</u>
Net cash used by investing activities	<u>(4,511)</u>	<u>(3,042)</u>
Net Increase in Cash	40,315	114,891
Cash - beginning of the year	<u>215,820</u>	<u>100,929</u>
Cash - end of the year	<u>\$ 256,135</u>	<u>\$ 215,820</u>

See Accompanying Notes to Financial Statements

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

DECEMBER 31, 2018 and 2017

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.

**Contributions**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions 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 27, 2019.

**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**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

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

**Promises to Give (continued)**

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The unconditional promises to give cash at December 31, 2018 were \$35,000 and \$0 at December 31, 2017. The amount is receivable within one year.

**Contributed 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.

**Income Tax Status**

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 is no longer subject to federal or state and local tax examinations by tax authorities for years before 2015.

**Cost Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, and professional fees, which are allocated on the basis of estimates of time and effort.

2) **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



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

DECEMBER 31, 2018 and 2017

2) **Operating Lease (continued)**

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 \$24,769 for the year ended December 31, 2018 and \$23,674 for the year ended December 31, 2017. See note 7 for subsequent event.

The future minimum lease payments are as follows:

2019	11,158
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3) **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 \$422,917 as of December 31, 2018 which is uninsured.

4) **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.

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

DECEMBER 31, 2018 and 2017

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

As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gifts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The organization has interpreted NYPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

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.

At December 31, 2018 and 2017, the endowment fund is composed of:

	<u>2018</u>	<u>2017</u>
Amounts required to be invested in perpetuity	\$400,000	\$400,000
Amounts available for program expenses	<u>22,917</u>	<u>18,406</u>
	<u>\$422,917</u>	<u>\$418,406</u>

E.L.E.M. YOUTH IN DISTRESS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018 and 2017

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

Changes in Endowment Net Assets as of December 31, 2018 and December 31, 2017 are as follows:

	<b><u>Net Assets with Donor Restrictions</u></b>
Endowment net assets, Dec 31, 2016	\$415,364
Investment income	3,042
Transfer to unrestricted	<u>          -</u>
Endowment net assets, Dec 31, 2017	<u>418,406</u>
Investment income	4,511
Transfer to unrestricted	<u>          -</u>
Endowment net assets, Dec 31, 2018	<u>\$422,917</u>

5) **Liquidity and Availability of Financial Assets**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amount that is available for use within one year for general purposes includes investment income accumulated in the endowment fund.

Financial assets at year-end	<u>2018</u> \$721,844	<u>2017</u> \$642,018
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to maintain as an endowment	<u>400,000</u>	<u>400,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$321,844</u>	<u>\$242,018</u>

E.L.E.M. YOUTH IN DISTRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017

**6) Change in Accounting Principle**

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 5).

**7) Commitments and Contingencies**

A certificate of deposit totaling \$422,917 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.

There was a lapse in property, general liability and professional liability insurance coverage from October 14<sup>th</sup>, 2018 until July 23<sup>rd</sup>, 2019. Management cannot ascertain the effect on the financial statements of the Organization.

**8) Subsequent events**

Operating Lease

On February 4, 2019 the Organization entered into a 3 years lease agreement commencing April 1, 2019 where the total obligation on a monthly basis will be \$1,700.

Date of Management Evaluation

The Organization has evaluated subsequent events through October 31, 2019, 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, 2018

	<u>Totals</u>	<u>Program</u>	<u>Management and General</u>	<u>Cost of Direct Benefits to donors</u>	<u>Fundraising</u>
Salaries	\$ 135,922	\$ 58,182	\$ 48,042	\$	\$ 29,698
Payroll taxes and employee benefits	16,582	7,353	6,379		2,850
Grants to E.L.E.M/Youth in Distress in Israel	162,000	162,000			
Fund raising expenses	15,024				15,024
Fund raising-Gala	75,465			75,465	
Education	2,348	2,348			
State charities registration fees and costs	1,198				1,198
Computer and website expenses	8,022		8,022		
Telephone	1,662		1,662		
Office expenses	5,577		5,577		
Rent	24,769		24,769		
Postage and shipping	1,658		1,658		
Professional fees	40,000	9,300	18,300		12,400
Bank fee	5,032		5,032		
Payroll service charges	2,113		2,113		
Insurance	1,540		1,540		
Transportation	4,269		4,269		
Meeting expenses	677		677		
Depreciation and Amortization expense	-		-		
	<u>\$ 503,858</u>	<u>\$ 239,183</u>	<u>\$ 128,040</u>	<u>\$ 75,465</u>	<u>\$ 61,170</u>

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>