

FINANCIAL STATEMENTS

ELEM YOUTH IN DISTRESS, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

ELEM YOUTH IN DISTRESS, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ELEM Youth in Distress, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of the ELEM Youth in Distress, Inc. (ELEM), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change in net assets, 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 ELEM as of December 31, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 ELEM 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 ELEM's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, including omissions, 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 generally accepted auditing standards, 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 ELEM'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 ELEM'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.

Report on Summarized Comparative Information

We have previously audited ELEM's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 13, 2023

ELEM YOUTH IN DISTRESS, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 629,861	\$ 610,300
Investments	<u>431,635</u>	<u>-</u>
Total current assets	<u>1,061,496</u>	<u>610,300</u>
NONCURRENT ASSETS		
Investments	<u>-</u>	<u>430,988</u>
TOTAL ASSETS	<u>\$ 1,061,496</u>	<u>\$ 1,041,288</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>2,175</u>	\$ <u>649</u>
NET ASSETS		
Without donor restrictions	535,186	449,651
With donor restrictions	<u>524,135</u>	<u>590,988</u>
Total net assets	<u>1,059,321</u>	<u>1,040,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,061,496</u>	<u>\$ 1,041,288</u>

ELEM YOUTH IN DISTRESS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 802,581	\$ 267,500	\$ 1,070,081	\$ 1,158,537
Interest and investment income	22	647	669	3,606
Net assets released from donor restrictions	<u>335,000</u>	<u>(335,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,137,603</u>	<u>(66,853)</u>	<u>1,070,750</u>	<u>1,162,143</u>
EXPENSES				
Program Services	<u>691,109</u>	<u>-</u>	<u>691,109</u>	<u>490,200</u>
Supporting Services:				
Management and General	178,349	-	178,349	186,472
Fundraising	<u>182,610</u>	<u>-</u>	<u>182,610</u>	<u>169,243</u>
Total supporting services	<u>360,959</u>	<u>-</u>	<u>360,959</u>	<u>355,715</u>
Total expenses	<u>1,052,068</u>	<u>-</u>	<u>1,052,068</u>	<u>845,915</u>
Change in net assets	85,535	(66,853)	18,682	316,228
Net assets at beginning of year	<u>449,651</u>	<u>590,988</u>	<u>1,040,639</u>	<u>724,411</u>
NET ASSETS AT END OF YEAR	<u>\$ 535,186</u>	<u>\$ 524,135</u>	<u>\$ 1,059,321</u>	<u>\$ 1,040,639</u>

ELEM YOUTH IN DISTRESS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021				2020	
	Program Services	Supporting Services		Total Supporting Services	Total Expenses	Total Expenses
		Management and General	Fundraising			
Salaries and benefits	\$ 64,247	\$ 92,505	\$ 119,591	\$ 212,096	\$ 276,343	\$ 276,267
Payroll taxes and benefits	11,278	25,011	14,858	39,869	51,147	38,826
Grants to ELEM Israel	605,708	-	-	-	605,708	402,250
Fundraising and events	-	-	48,161	48,161	48,161	56,055
Education	9,876	-	-	-	9,876	8,328
Fees	-	10,565	-	10,565	10,565	1,013
Computer and website	-	12,295	-	12,295	12,295	12,344
Telephone	-	1,540	-	1,540	1,540	1,528
Office expenses	-	4,699	-	4,699	4,699	4,543
Rent	-	1,601	-	1,601	1,601	20,400
Postage and shipping	-	1,781	-	1,781	1,781	2,259
Professional fees	-	14,862	-	14,862	14,862	9,480
Bank charges and other	-	5,490	-	5,490	5,490	4,977
Payroll service charges	-	2,278	-	2,278	2,278	2,304
Insurance	-	5,143	-	5,143	5,143	3,239
Transportation	-	476	-	476	476	899
Meeting expenses	-	103	-	103	103	1,203
TOTAL	\$ 691,109	\$ 178,349	\$ 182,610	\$ 360,959	\$ 1,052,068	\$ 845,915

See accompanying notes to financial statements.

ELEM YOUTH IN DISTRESS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,682	\$ 316,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in:		
Security deposits	-	1,700
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>1,526</u>	<u>(5,602)</u>
Net cash provided by operating activities	<u>20,208</u>	<u>312,326</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(647)</u>	<u>(3,571)</u>
Net cash used by investing activities	<u>(647)</u>	<u>(3,571)</u>
Net increase in cash and cash equivalents	19,561	308,755
Cash and cash equivalents at beginning of year	<u>610,300</u>	<u>301,545</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 629,861</u>	<u>\$ 610,300</u>

ELEM YOUTH IN DISTRESS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

ELEM Youth in Distress, Inc. (ELEM) is a non-profit organization that sponsors a multitude of service programs for homeless and runaway at-risk youth in Israel who are in need of assistance. ELEM 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. ELEM 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.

ELEM provides assistance to ELEM Israel, a locally incorporated and separately governed organization in Israel that carries out ELEM's core programmatic activities. As ELEM does not control ELEM Israel, the financial statements are not consolidated for reporting purposes.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than ELEM mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Cash and cash equivalents -

ELEM considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ELEM maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments include a certificate of deposit that is recorded at its readily determinable fair value. The certificate was held as a long-term investment as of December 31, 2020, as it was the investment vehicle which included the corpus of ELEM's endowment held in perpetuity; as the restrictions have been released during February 2022, the investment has been reclassified as a current asset as of December 31, 2021.

ELEM YOUTH IN DISTRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Investments (continued) -

Interest on the certificate of deposit is included in investment income in the accompanying Statement of Activities and Change in Net Assets. The certificate of deposit is held in a financial institution in Israel, and is considered uninsured.

Income taxes -

ELEM is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. ELEM is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2021, ELEM has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue recognition -

The majority of ELEM's revenue is received through grants and contributions from individuals, foundations and other entities. Contributions are recognized in the appropriate category of net assets in the period received. ELEM performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent. Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome; generally, when qualifying expenditures are incurred); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional. ELEM did not receive any conditional awards during the year ended December 31, 2021.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

ELEM YOUTH IN DISTRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of ELEM are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Investment risks and uncertainties -

ELEM owns a certificate of deposit held in a local financial institution in Israel. The certificate of deposit serves as collateral for a bank loan held by ELEM Israel (that ELEM Israel is using for infrastructure development and other related activities in Israel).

Fair value measurement -

ELEM adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. ELEM accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

In accordance with FASB ASC 820, *Fair Value Measurement*, ELEM has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market ELEM has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2021.

Certificate of Deposit - Generally valued at original cost plus accrued interest, which approximates fair value.

ELEM YOUTH IN DISTRESS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Fair value measurement (continued) -

The table below summarizes, by level within the fair value hierarchy as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Certificate of Deposit	\$ <u>-</u>	\$ <u>431,635</u>	\$ <u>-</u>	\$ <u>431,635</u>

2. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to expenditure for specified purpose	\$ 92,500
Endowment to be invested in perpetuity	400,000
Cumulative earnings on endowment invested in perpetuity	<u>31,635</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>524,135</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Program Services Accomplished	\$ <u>335,000</u>
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3. **LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 629,861
Less: Donor restricted funds	<u>(92,500)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>537,361</u>

ELEM has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2021, ELEM has financial assets equal to approximately six months of operating expenses.

4. **LEASE COMMITMENTS**

ELEM leased office space under a three-year agreement, which originated on February 4, 2019. Base rent was \$1,700 per month, with no additional costs or rent increases during the lease term. Prior to December 31, 2020, the lease was terminated. There currently is no lease agreement in place and ELEM operates in a fully virtual environment.

Rent expense for the year ended December 31, 2021 was \$20,400.

ELEM YOUTH IN DISTRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

5. ENDOWMENT

ELEM's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus ELEM classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are restricted in perpetuity. Earnings on such net assets are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, ELEM considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. ELEM has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, ELEM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 400,000	\$ 400,000
Accumulated investment earnings	-	31,635	31,635
TOTAL ENDOWMENT FUNDS	\$ -	\$ 431,635	\$ 431,635

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 430,988	\$ 430,988
Investment return, net	-	647	647
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 431,635	\$ 431,635

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires ELEM to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2021.

ELEM YOUTH IN DISTRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

5. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

ELEM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results assuming a low level of investment risk. ELEM expects its endowment funds, over time, to provide an average rate of return of approximately 1% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, ELEM relies on a conservative strategy in which investment returns are achieved through the accrual of interest.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

ELEM does not have a formal spending policy, and has no plans to spend any of the earnings in the foreseeable future.

6. SUBSEQUENT EVENTS

In preparing these financial statements, ELEM has evaluated events and transactions for potential recognition or disclosure through January 13, 2023, the date the financial statements were issued.

During February 2022, ELEM was formally notified (by both major donors) that the net assets previously restricted in perpetuity (Note 5) were released from donor restriction. Accordingly, such net assets will be reclassified as "without donor restrictions" during the year ended December 31, 2022.