

FINANCIAL STATEMENTS

ELEM YOUTH IN DISTRESS, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

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, 2022, 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, 2022, 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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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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 21, 2023

ELEM YOUTH IN DISTRESS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 271,294	\$ 629,861
Investments		<u>-</u>	<u>431,635</u>
TOTAL ASSETS		<u>\$ 271,294</u>	<u>\$ 1,061,496</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ <u>753</u>	\$ <u>2,175</u>
NET ASSETS			
Without donor restrictions		270,541	535,186
With donor restrictions		<u>-</u>	<u>524,135</u>
Total net assets		<u>270,541</u>	<u>1,059,321</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 271,294</u>	<u>\$ 1,061,496</u>

ELEM YOUTH IN DISTRESS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 432,868	\$ 527,500	\$ 960,368	\$ 1,070,081
Interest and investment income	76	647	723	669
Net assets released from donor restrictions	<u>1,052,282</u>	<u>(1,052,282)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,485,226</u>	<u>(524,135)</u>	<u>961,091</u>	<u>1,070,750</u>
EXPENSES				
Program Services	<u>1,325,066</u>	<u>-</u>	<u>1,325,066</u>	<u>691,109</u>
Supporting Services:				
Management and General	213,477	-	213,477	178,349
Fundraising	<u>211,328</u>	<u>-</u>	<u>211,328</u>	<u>182,610</u>
Total supporting services	<u>424,805</u>	<u>-</u>	<u>424,805</u>	<u>360,959</u>
Total expenses	<u>1,749,871</u>	<u>-</u>	<u>1,749,871</u>	<u>1,052,068</u>
Change in net assets	(264,645)	(524,135)	(788,780)	18,682
Net assets at beginning of year	<u>535,186</u>	<u>524,135</u>	<u>1,059,321</u>	<u>1,040,639</u>
NET ASSETS AT END OF YEAR	<u>\$ 270,541</u>	<u>\$ -</u>	<u>\$ 270,541</u>	<u>\$ 1,059,321</u>

ELEM YOUTH IN DISTRESS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021	
	Supporting Services			Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and benefits	\$ 89,476	\$ 106,895	\$ 142,289	\$ 249,184	\$ 276,343
Payroll taxes and benefits	11,249	28,029	15,665	43,694	51,147
Grants to ELEM Israel	1,215,642	-	-	-	1,215,642
Events and meetings	7,163	-	53,006	53,006	60,169
Education	1,536	-	-	-	1,536
Computer and website	-	10,858	-	10,858	10,858
Telephone	-	1,263	-	1,263	1,263
Office expenses	-	5,340	-	5,340	5,340
Occupancy	-	-	-	-	-
Postage and shipping	-	2,144	-	2,144	2,144
Professional fees	-	34,159	368	34,527	34,527
Bank charges and other	-	5,100	-	5,100	5,100
Payroll service charges	-	4,709	-	4,709	4,709
Insurance	-	5,963	-	5,963	5,963
Transportation	-	9,017	-	9,017	9,017
TOTAL	\$ 1,325,066	\$ 213,477	\$ 211,328	\$ 424,805	\$ 1,749,871
				\$ 1,749,871	\$ 1,052,068

See accompanying notes to financial statements.

ELEM YOUTH IN DISTRESS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (788,780)	\$ 18,682
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(1,422)</u>	<u>1,526</u>
Net cash (used) provided by operating activities	<u>(790,202)</u>	<u>20,208</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(647)	(647)
Proceeds from sale of investments	<u>432,282</u>	<u>-</u>
Net cash used by investing activities	<u>431,635</u>	<u>(647)</u>
Net (decrease) increase in cash and cash equivalents	(358,567)	19,561
Cash and cash equivalents at beginning of year	<u>629,861</u>	<u>610,300</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 271,294</u></u>	<u><u>\$ 629,861</u></u>

ELEM YOUTH IN DISTRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The 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.

ELEM operates in a fully virtual environment in the United States, and therefore does not maintain a physical office location.

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.

ELEM YOUTH IN DISTRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Investments -

Investments included a certificate of deposit that was recorded at its readily determinable fair value. 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 was held in a financial institution in Israel, and was considered uninsured. As of December 31, 2022, the certificate was liquidated and transferred to ELEM Israel (in the form of a grant).

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, 2022, 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, 2022.

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, 2022**

**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.

New accounting pronouncement not yet adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for ELEM for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach. ELEM plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. NET ASSETS WITH DONOR RESTRICTIONS

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:

Endowment invested in perpetuity released by original donors	\$ 400,000
Release of cumulative earnings on endowment invested in perpetuity	31,635
Grants to ELEM Israel (provided to ELEM through restricted awards)	<u>620,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,052,282</u>

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

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	<u>\$ 271,294</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 271,294</u>

ELEM has a policy to structure its financial assets to be available and liquid as its obligations become due.

ELEM YOUTH IN DISTRESS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. SUBSEQUENT EVENTS

In preparing these financial statements, ELEM has evaluated events and transactions for potential recognition or disclosure through November 21, 2023, the date the financial statements were issued.