

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)

FINANCIAL STATEMENTS

31 DECEMBER 2019

j³ m

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Balance Sheet, at 31 December 2019	4
Operating Activities, for the year ended 31 December 2019	5
Statement of Changes in Assets, for the year ended 31 December 2019	6
Statement of Cash Flows, for the year ended 31 December 2019	7
Notes to the Financial Statements	8-15

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)

Independent Auditor's Report

We have audited the accompanying balance sheets of ELEM – Youth in Distress. (Not-for-profit Organization) as of December 31, 2019 and 2018 and the related statements of operations for the years ended December 31, 2019 and 2018. These financial statements are the responsibility of the management of the Organization. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards, including those prescribed by the Auditors' (Mode of Performance) Regulations (Israel), 1973. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management of the Organization, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly the financial position of the organization as of December 31, 2019 and 2018 and the results of its operations for the years ended December 31, 2019 and 2018, in conformity with generally accepted accounting principles.

Shimon Erlichman
Erlichman & Co.

Certified Public Accountants (Israel)

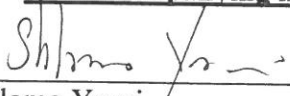
Tel-Aviv, Israel,
June 30th, 2020

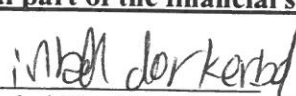
ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
BALANCE SHEET

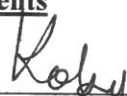
	<u>Note</u>	<u>31 December</u>	
		<u>2019</u>	<u>2018</u>
		<u>NIS</u>	<u>NIS</u>
<u>Current assets</u>			
Cash and cash equivalents	3	7,831,653	10,375,780
Accounts receivable	4	3,075,077	2,071,496
		<u>10,906,730</u>	<u>12,447,276</u>
Restricted Cash		<u>737,655</u>	<u>735,689</u>
<u>Fixed assets</u>	5	<u>1,452,237</u>	<u>1,445,850</u>
		<u>13,096,622</u>	<u>14,629,815</u>
Banks – overdraft		1,362,941	
Outstanding Checks		565,500	576,670
Deferred income		5,573,741	8,662,358
Accounts payable	6	<u>3,560,170</u>	<u>3,192,275</u>
		<u>11,062,352</u>	<u>12,431,303</u>
<u>Employee severance pay liability, net</u>	7	<u>283,868</u>	<u>291,047</u>
<u>Surplus, net</u>			
<u>Unrestricted assets, net:</u>			
Non-earmarked by the Association's institutions		298,437	461,615
Used for fixed and other assets		<u>1,452,265</u>	<u>1,445,850</u>
		<u>1,750,402</u>	<u>1,907,465</u>
		<u>13,096,622</u>	<u>14,629,815</u>

Date of Approval: June 30th, 2020

The accompanying notes are an integral part of the financial statements


Shlomo Yanai
Chairman of the board


Inbal Dor Kerbel
CEO


Koby Tsoref, CPA
CFO

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
STATEMENT OF OPERATING ACTIVITIES

	<u>For the year ended</u>	
	<u>31 December</u>	
	<u>2019</u>	<u>2018</u>
	<u>NIS</u>	<u>NIS</u>
<u>Activity turnover</u>		
Non – earmarked donations	5,286,568	5,510,330
Earmarked donations – from foundations,	7,947,643	8,070,877
From non-profit organizations	608,268	842,155
Government institutions	9,271,099	9,497,475
From local authorities	14,164,819	12,032,105
From other public organizations	1,392,795	1,201,056
Income from branches	423,136	188,387
Income from projects	762,647	923,488
From Elem-USA	699,946	491,353
Value of Volunteers' work - Note 8	12,183,977	12,839,323
	<u>52,740,898</u>	<u>51,596,549</u>
<u>Cost of activities</u> - Note 9	<u>47,227,183</u>	<u>45,913,238</u>
Net income from activities	<u>5,513,715</u>	<u>5,683,311</u>
<u>General and Administrative</u> – Note 10	<u>4,337,089</u>	<u>4,211,949</u>
Net Income before fundraising expenses	1,176,626	1,471,362
Fundraising expenses - Note 11	<u>1,222,398</u>	<u>997,432</u>
Net gain (expenses) before financial expenses	(45,772)	473,930
Financial expenses	<u>(111,291)</u>	<u>(139,075)</u>
Net Surplus (deficit) for the year	<u>(157,063)</u>	<u>334,855</u>

The accompanying notes are an integral part of the financial statements

53 W

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
STATEMENT OF CHANGES IN ASSETS, NET

	<u>Unrestricted</u> <u>For Activities</u> <u>NIS</u>	<u>For Fixed</u> <u>Assets</u> <u>NIS</u>	<u>TOTAL</u> <u>NIS</u>
Balance at 1 January 2018	57,451	1,515,159	1,572,610
<u>Additions (subtractions) during 2018:</u>			
Income for the year	334,865	-	334,865
Amounts transferred to cover depreciation expense	69,309	(69,309)	-
Balance at 31 December 2018	461,915	1,445,850	1,907,465
<u>Additions (subtractions) during 2019:</u>			
Expenses for the year	(157,063)	-	(157,063)
Transfer of unrestricted Amounts, applied to the purchasing of fixed assets	(72,000)	72,000	
Amounts transferred to cover depreciation expense	65,585	(65,585)	-
Balance at 31 December 2019	298,437	1,452,265	1,750,402

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
STATEMENT OF CASH FLOW

	<u>For the year ended</u>	
	<u>31 December</u>	
	<u>2019</u>	<u>2018</u>
	<u>NIS</u>	<u>NIS</u>
<u>Cash flow from current activities</u>		
Gain (Loss) for the year	(157,063)	334,855
<u>Income and expenses not involving cash flow:</u>		
Depreciation	65,585	69,309
(Decrease) in the liability for employee severance pay	(7,179)	(4,967)
<u>Changes in assets and liability items:</u>		
Decrease (Increase) in accounts receivable	(1,003,581)	(97,721)
Increase (decrease) in current liabilities	(2,731,864)	8,343,172
Net cash derived from current	<u>(3,834,102)</u>	<u>8,644,648</u>
<u>Cash flow from investment activities</u>		
Purchase of fixed assets	(72,000)	-
Net cash used for investment activities	<u>(72,000)</u>	<u>-</u>
<u>Cash flow from financial activities</u>		
Short-term credit	1,362,941	(1,220,078)
Net cash used for financial activities	<u>1,362,941</u>	<u>(1,220,078)</u>
(Decrease) in cash and cash equivalents	(2,543,161)	7,424,570
Balance of cash and cash equivalents at the beginning of the year	<u>11,112,469</u>	<u>3,687,899</u>
Balance of cash and cash equivalents at the end of the year	<u>8,569,308</u>	<u>11,112,469</u>

The accompanying notes are an integral part of the financial statements

W 13

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - General

- A. ELEM operates according to Israeli laws and regulations covering nonprofit organizations.
- B. The main objectives of Elem -Youth in Distress are to support and develop different types of treatment and education frameworks for youth in distress and arouse public awareness to the problems of youth in distress.
- C. Many of ELEM's professional programs are operated in cooperation with other services and agencies.
The financial activities recorded in the Financial Statements reflect ELEM's activities and not the overall activities of all the programs and partners.
- D. ELEM was founded at the initiative of "Elem USA", an association registered in the United States with the objective of providing assistance to youth in distress in Israel. Since the foundation of the Association, "Elem USA" has been involved in its activities and has provided financial assistance to the Association. Three members of "Elem USA" also serve as members of the Board of Management of the Association in Israel.

Note 2 - Significant accounting policies

The following significant accounting policies were applied on a consistent basis in preparing the Financial Statements:

- A. The financial statements are presented in accordance with Opinion No. 69 of the Institute of Certified Public Accountants in Israel.
- B. **Cash and cash equivalents**
Cash equivalents refer to highly liquid investments, including, among others, short-term bank deposits with due dates not exceeding three months from the date of deposit.
- C. **Fixed Assets**
These assets are stated at cost, less accumulated depreciation. Depreciation is computed by the straight-line method on the basis of the estimated useful life of the assets, at the following annual rates:

	%
Computers and Equipment	33-15
Motor vehicles	15
Building	2

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
NOTES TO THE FINANCIAL STATEMENTS
(Continue)

Note 2 - Significant accounting policies (continue)

D. Recognition of revenue and expenses

Revenue is presented on the basis of the collection during the current year, in addition to amounts that belong to the current year which Elem collected until the end of January of the following year.
The expenses are presented on accrued basis.

E. Details on Foreign Exchange and consumer price index

	<u>31.12.2019</u>	<u>31.12.2018</u>
Dollar Exchange rate	3.456	3.748

Note 3 - Cash and Cash Equivalents

	<u>31 December</u> <u>2019</u> <u>NIS</u>	<u>2018</u> <u>NIS</u>
Short-term deposits in NIS	7,490,316	9,097,633
Current account in NIS	60,186	920,737
Checks – receivable	114,060	243,036
Credit card companies	167,091	114,374
	<u>7,831,653</u>	<u>10,375,780</u>

Note 4 - Accounts Receivable

	<u>31 December</u> <u>2019</u> <u>NIS</u>	<u>2018</u> <u>NIS</u>
Income receivable	2,851,999	1,860,158
Advanced payment to vendors	20,892	37,473
Prepaid	79,127	71,332
Others	123,059	102,533
	<u>3,075,077</u>	<u>2,071,496</u>

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
NOTES TO THE FINANCIAL STATEMENTS
(Continue)

Note 5 - Fixed Assets

	<u>Building (*)</u>	<u>Mobile Aid</u>	<u>Computers,</u>	
		<u>Units</u>	<u>and Furniture</u>	
	<u>NIS</u>	<u>Vans</u>	<u>NIS</u>	<u>TOTAL</u>
<u>Cost</u>		<u>NIS</u>		<u>NIS</u>
Cost at				
31 December 2018	1,463,500	2,940,874	437,250	4,841,624
Addition and Disposals	-	72,000	-	72,000
Cost at				
31 December 2019	1,463,500	3,012,874	437,250	4,913,624
<u>Accumulated depreciation</u>				
Accumulated				
depreciation at				
31 December 2018	185,374	2,791,147	419,281	3,395,774
Depreciation expenses				
and Disposals	19,513	46,009	63	65,585
Accumulated				
depreciation at				
31 December 2019	204,887	2,837,156	419,344	3,461,387
Cost, less accumulated				
depreciation at				
31 December 2019	1,278,126	175,718	17,906	1,445,850
Cost, less				
accumulated				
depreciation at				
31 December 2018	1,278,126	149,755	17,951	1,445,850

(*) The building is situated at 8 Tiberias Street, Tel Aviv, Block 7091, Plot 159/1-4.

The association has received under the order of inheritance an apartment residence on 3 Harav Pataya St. Pardes Katz, Block 6196 Plot 154, subject to the right of the current tenant living there for as long as he wishes. In light of the above restriction the asset was not recorded in to the organization's books. Elem estimates that the value of the asset is about NIS 800,000 (without having an appraisal).

In April 2020 Elem took possession of the apartment.

The apartment was registered as being in Elem's ownership at the land registry office (Tabu) on July 21, 2013.

53 20

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
NOTES TO THE FINANCIAL STATEMENTS
(Continue)

Note 6 - Accounts payable

	<u>31 December</u>	
	<u>2019</u>	<u>2018</u>
	<u>NIS</u>	<u>NIS</u>
Income Tax Authorities	211,213	216,032
National Insurance Institute	212,374	206,221
Employees	1,626,659	1,551,231
Suppliers	924,928	650,585
Employee institutions	528,330	523,656
Accrued expenses and other	56,666	44,550
	<u>3,560,170</u>	<u>3,192,275</u>

Note 7 - Liability for termination of employer-employee relationship, net

ELEM's liabilities for retirement and severance pay to its employees are computed on the basis of their most recent salary and the length of their employment. Part of these liabilities are covered by regular deposits, in the name of the employee, with provident funds or insurance companies.

Note 8 - Value of Volunteers' work

The calculation was performed by taking the minimum wage plus social benefits by law, and in accordance with Elem's benefits policy, and in consideration of the number of the projects during the year.
The Registration was performed against the various operating items.

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
NOTES TO THE FINANCIAL STATEMENTS
(Continue)

Note 9 - Cost of Activities

	<u>For the year ended</u>	
	<u>31 December</u>	
	<u>2019</u>	<u>2018</u>
	<u>NIS</u>	<u>NIS</u>
Information centers, counseling and community programs	9,866,201	10,998,201
Patrol vehicles, street programs	8,340,992	8,454,047
Programs for extreme distress and unique projects	13,966,722	12,185,808
Voluntary and Community	756,308	682,351
Occupational Activity for Professional Training	6,908,052	6,770,011
Guidance and Management of Knowledge and Elem Digital	2,535,510	2,381,255
The Center for the Prevention and Treatment of Sexual Violence Among Children and Youth	<u>4,853,398</u>	<u>4,441,565</u>
	<u>47,227,183</u>	<u>45,913,238</u>

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
NOTES TO THE FINANCIAL STATEMENTS
(Continue)

Note 10 - General Administrative and Expenses

	<u>For the year ended</u>	
	<u>31 December</u>	
	<u>2019</u>	<u>2018</u>
	<u>NIS</u>	<u>NIS</u>
Salaries and social benefits	3,051,545	2,928,953
Advertising and public relations	162,047	99,116
Rent	254,544	257,130
Office maintenance	175,087	196,934
Car maintenance	192,596	163,999
Mail and communication	88,139	100,130
Office supplies and printing	61,194	76,693
Depreciation	63	116
Electricity	24,832	26,031
Auditing and professional fee	93,346	79,862
Municipal taxes and rates	3,655	26,631
In-service Training	104,348	62,539
Transportation and parking	26,475	25,773
Entertainment	17,691	28,751
Insurance	27,560	33,797
Others	53,967	105,494
	<u>4,337,089</u>	<u>4,211,949</u>

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
NOTES TO THE FINANCIAL STATEMENTS
(Continue)

Note 11 - Fundraising expenses

Since the year 2004, Elem has been carrying out a yearly project (Campaign) called "The Flag Lights of Hope". The project's main goals are:

1. To raise the public's awareness of its activities.
2. To expose the activity of Elem association to its target audience.
3. To recruit volunteers for new projects of the Elem association.
4. To encourage the public to contribute to Elem.

Therefore, 50 percent of the project cost was categorized as a part of Elem's activities expenses, and 50 percent of the project cost was categorized as fundraising expenses.

Note 12 - Claims and contingent liabilities

ELEM rented a building as a sublessee from Harshei Barzel Ltd., the original lessees of a building owned by Mr. Avraham Shauli. Following the forfeiture of a guarantee of NIS 150,000 that ELEM gave to Harshei Barzel Ltd., ELEM filed a claim to collect the guarantee from Harshei Barzel. Following this claim, Harshei Barzel filed a claim against ELEM in the amount of NIS 1,350,000. On 28.12.17, the District Court of Tel Aviv decided to stay proceedings in the case pending a clarification of Harshei Barzel's claim against Avraham Shauli regarding ownership of the property.

A review of the claim's risk was compiled by the legal consultants, and assessed the risk at 675,000 NIS.

Since the project is funded by the Ministry of Social Affairs, all of the costs incurred in the claim thus far (120,000 NIS) was returned to ELEM by the Ministry of Social Affairs.

In the event that ELEM will be charged in the claim, ELEM estimates that the Ministry of Social Affairs will bear the cost of the ruling, if there should be one. Therefore, no provision was made in the financial statements regarding this suit.

-13 ✓

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
ANNEX TO THE FINANCIAL STATEMENTS
(Continue)

Note 13 - Forward looking measures

In the beginning of 2020 Covid-19 started to spread across many parts of the world.

As an outcome of the virus there has been a significant economic slowdown that has many global implications and impacts. This slowdown might affect the revenues and the activities of ELEM. However, it is difficult at this stage to estimate the extent of the effect. ELEM monitors the developments and prepares accordingly.

3 W

ELEM – YOUTH IN DISTRESS (REG. ASSOC.)
Donations above 100,000 NIS

ELEM USA	1,342,349
Varda and Boaz Dotan	722,600
International Fellowship of Christians and Jews	532,500
MATAN – Investing In The Community, United Way	
Israel	466,194
Keled Foundation	399,020
Check Point Software Technologies	372,500
HSBC	290,088
Jewish Agency for Israel	237,986
Final	222,890
Bank Hapoalim	200,000
Unilever Israel	200,000
Ne'eman Foundation	182,642
Sam And Bella Sebba Charitable Trust	175,000
Maurice & Vivienne Wohl Philanthropic Foundation	141,491
Gates of Mercy	121,603
Steinhardt Family Foundation, Israel	108,000
Electra Consumer Products	100,000
Noble Energy	100,000

B W