

**ELEM – YOUTH IN DISTRESS (REG. ASSOC.)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

**ELEM – YOUTH IN DISTRESS (REG. ASSOC.)**

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## **ELEM – YOUTH IN DISTRESS (REG. ASSOC.)**

### **Independent Auditor's Report**

We have audited the accompanying consolidated balance sheets of ELEM – Youth in Distress. (Not-for-profit Organization) as of December 31, 2012 and 2011 and the related statements of consolidated operations for the years ended December 31, 2012 and 2011. 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 consolidated financial position of the organization as of December 31, 2012 and 2011 and the results of its operations for the years ended December 31, 2012 and 2011, in conformity with generally accepted accounting principles.

**Erlichman Cinman & Co.**  
**Certified Public Accountants (Israel)**

Tel-Aviv, Israel,  
April 27, 2012

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

	<u>Note</u>	<u>31 December</u>	
		<u>2012</u>	<u>2011</u>
		<u>NIS</u>	<u>NIS</u>
<b><u>Current assets</u></b>			
Cash and cash equivalents	3	4,020,940	3,093,949
Accounts receivable	4	2,721,322	2,372,963
Inventories		4,000	4,000
		6,746,262	5,454,667
<b><u>Long term deposits</u></b>			
	8	-	1,528,985
<b><u>Fixed assets</u></b>			
	5	2,020,343	2,334,696
		<b>8,766,605</b>	<b>9,334,593</b>
Banks – overdraft		662,389	49,198
Outstanding Checks		400,306	272,235
Earmarked contributions, not yet applied to activities		2,489,092	2,379,698
Accounts payable	6	2,787,284	2,629,995
		6,339,071	5,331,126
<b><u>Employee severance pay liability, net</u></b>			
	7	378,582	255,302
<b><u>Surplus, net</u></b>			
<b><u>Unrestricted assets, net:</u></b>			
Non-earmarked by the Association's institutions		28,609	(115,516)
Used for fixed and other assets		2,020,343	2,334,696
		2,048,952	2,219,180
Net assets with permanent restrictions	8	-	1,528,985
		2,048,952	3,748,165
		<b>8,766,605</b>	<b>9,334,593</b>

**The accompanying notes are an integral part of the financial statements**

\_\_\_\_\_  
Members of the Board

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Members of the Board

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

	<b><u>For the year ended</u></b>	
	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
<b><u>Activity turnover</u></b>		
Non – earmarked donations	5,447,960	6,843,093
Earmarked donations – from foundations	8,459,350	9,335,233
From non-profit organizations	644,226	541,431
Government institutions	3,836,790	4,475,590
From local authorities	4,789,308	4,331,385
From other public organizations	1,637,196	607,066
Income from branches	546,504	687,777
Income from projects	1,528,180	837,975
From Elem-USA	2,891,723	2,798,598
Business activities for projects training	228,923	198,010
Value of Volunteers' work - Note 9	12,513,130	-
	<u>42,523,290</u>	<u>30,656,158</u>
<b><u>Cost of activities</u></b> - Note 10	<u>37,710,991</u>	<u>25,275,047</u>
Net income from activities	..... 4,812,299	..... 5,381,111
<b><u>General expenses</u></b>		
Administrative and General - Note 11	3,711,790	3,497,966
Fundraising expenses net - Note 12	1,168,742	1,511,019
	<u>4,880,532</u>	<u>5,008,985</u>
Net gain (loss) before financial expenses	(68,233)	372,126
Financial expenses net	<u>101,995</u>	<u>109,012</u>
<b>Net gain (loss) for the year</b>	<b><u>(170,228)</u></b>	<b><u>263,114</u></b>

**The accompanying notes are an integral part of the financial statements**

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

	<u>Unrestricted</u> <u>For</u> <u>Activities</u> <u>NIS</u>	<u>For Fixed</u> <u>Assets</u> <u>NIS</u>	<u>Restricted</u> <u>Permanently</u> <u>NIS</u>	<u>TOTAL</u> <u>NIS</u>
<b>Balance at 1 January 2011</b>	<b>(489,832)</b>	<b>2,445,340</b>	<b>1,433,008</b>	<b>3,389,074</b>
<u>Additions (subtractions)</u> <u>during 2011:</u>				
Net income for the year	263,114	-	-	263,114
Exchange difference and interest from restricted receipt	-	-	(95,977)	(95,977)
Transfer of unrestricted Amounts, applied to the purchasing of fixed assets	(193,245)	193,245	-	-
Amounts transferred to cover depreciation expense	303,889	(303,889)	-	-
<b>Balance at 31 December 2011</b>	<b>(115,516)</b>	<b>2,334,696</b>	<b>1,528,985</b>	<b>3,748,165</b>
<u>Additions (subtractions)</u> <u>during 2012:</u>				
Net expenses for the year	(170,228)	-	-	(170,228)
Refund of fund that were restricted	-	-	(1,528,985)	(1,528,985)
Transfer of unrestricted Amounts, applied to the purchasing of fixed assets	(2,241)	2,241	-	-
Amounts transferred to cover depreciation expense	316,594	(316,594)	-	-
<b>Balance at 31 December 2012</b>	<b>28,609</b>	<b>2,020,343</b>	<b>-</b>	<b>2,048,952</b>

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

	<b><u>For the year ended</u></b>	
	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
<b><u>Cash flow from current activities</u></b>		
Surplus according to the Statement of operating activities	(170,228)	263,114
<u>Income and expenses not involving cash flow:</u>		
Depreciation	316,594	303,889
Increase in the liability for employee severance pay	123,279	(112,342)
<u>Changes in assets and liabilities items:</u>		
Decrease (increase) in accounts receivable	(348,359)	373,220
Increase (decrease) in current liabilities	394,755	1,176,015
<b>Net cash derived from current</b>	<b><u>316,041</u></b>	<b><u>2,003,896</u></b>
<b><u>Cash flow from investment activities</u></b>		
Purchase of fixed assets	(2,241)	(193,245)
<b>Net cash used for investment activities</b>	<b><u>(2,241)</u></b>	<b><u>(193,245)</u></b>
<b><u>Cash flow from financial activities</u></b>		
Short-term credit	613,191	(679,399)
<b>Net cash used for financial activities</b>	<b><u>613,191</u></b>	<b><u>(679,399)</u></b>
<b>Increase in cash and cash equivalents</b>	<b>926,991</b>	<b>1,131,252</b>
<b>Balance of cash and cash equivalents at the beginning of the year</b>	<b><u>3,093,949</u></b>	<b><u>1,962,697</u></b>
<b>Balance of cash and cash equivalents at the end of the year</b>	<b><u>4,020,940</u></b>	<b><u>3,093,949</u></b>

**The accompanying notes are an integral part of the financial statements**

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

**Note 1 - General**

- A. 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.
- B. Many of ELEM's professional programs are operated in cooperation with other services and agencies (Youth Protection Authority, Shahal NPO, Einav NPO, Amal Schools, etc.).  
The financial activities recorded in the Financial Statements reflect ELEM's activities and not the overall activities of all the programs and partners.
- C. The Association was founded at the initiative of "Elem USA", an association registered in the United State with the object of providing assistance to youth in distress situations in Israel. Since the foundation of the Association, "Elem USA" has been involved in its activities and has provided financial assistance to the Association. Several members of "Elem USA" also serve as members of the Board of Management of the Association in Israel.  
In each year, "Elem USA" allocates amounts, out of the funds raised by it in the United State, to finance the operations 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.

**Note 2 - Significant accounting policies (continue)**

- C. **Short-term investments**  
Stated at market value on Balance, Sheet date, in accordance with the provisions of the Opinion of the Institute of Certified Public Accountants in Israel. The change in value of the investments is carried to Financial Income.



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

**D. 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:

	<u>%</u>
Computers	33
Furniture and Equipment	6-15
Leasehold improvements	10-16
Motor vehicles	15

**E. 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 mid-April of the following year.

The expenses are presented on accrued basis.

**F. Foreign currency**

Amount in foreign currency are presented according to the representative exchange rate at balance sheet date.

Exchange differences on restricted amounts are reflected in the statement of changes in assets net.

**G. Consolidated financial statements**

The consolidated financial statements include the financial statements of Elem and those of its wholly owned and controlled subsidiaries.

**Intercompany balances and transactions have been eliminated on consolidation.**

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

**Note 3 - Cash and Cash Equivalents**

	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
Short-term deposits in NIS (*)	2,478,226	1,722,845
Current account in NIS	1,073,504	1,090,677
Checks – receivable	324,947	232,719
Credit company	144,263	47,708
	<u>4,020,940</u>	<u>3,093,949</u>

(\*) Of the above deposits an amount of NIS 409,000 is pledged in favor of the bank as security for bank guarantees issued in favor of lease property owners.

**Note 4 - Accounts Receivable**

	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
Income receivable	2,529,569	2,268,440
Advanced payment to vendors	170,427	79,122
Prepaid	1,533	6,586
Costumers	15,228	12,950
Others	4,565	5,865
	<u>2,721,322</u>	<u>2,372,963</u>

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

**Note 5 - Consolidated Fixed Assets**

	<u>Leasehold improvements</u> NIS	<u>Mobile aid units vans</u> NIS	<u>Computers and other equipment</u> NIS	<u>Building for a certain project (*)</u> NIS	<u>TOTAL</u> NIS
<b><u>Cost</u></b>					
Cost at					
31 December 2011	148,908	2,978,728	570,999	1,463,500	5,162,135
Addition and Disposals	-	-	2,241	-	2,241
Cost at					
31 December 2012	<u>148,908</u>	<u>2,978,728</u>	<u>573,240</u>	<u>1,463,500</u>	<u>5,164,376</u>
<b><u>Accumulated depreciation</u></b>					
Accumulated depreciation at					
31 December 2011	69,878	2,220,256	488,522	48,783	2,827,439
Depreciation expenses and Disposals	14,892	255,359	26,830	19,513	316,594
Accumulated depreciation at					
31 December 2012	<u>84,770</u>	<u>2,475,615</u>	<u>515,352</u>	<u>68,296</u>	<u>3,144,033</u>
<b>Cost, less accumulated depreciation at 31 December 2012</b>	<b><u>64,138</u></b>	<b><u>503,113</u></b>	<b><u>57,888</u></b>	<b><u>1,395,204</u></b>	<b><u>2,020,343</u></b>
Cost, less accumulated depreciation at					
31 December 2011	<u>79,030</u>	<u>758,472</u>	<u>82,477</u>	<u>1,414,717</u>	<u>2,334,696</u>

(\*) The building was purchased at beginning of 2009 and the activity of the certain project began at July 2009.

The building is situated at 8 Tiberias street, Tel Aviv, block 7091, plot 159/1-4.

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

(Continue)

**Note 6 - Accounts payable**

	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
Income Tax Authorities and National Insurance Institute	298,724	235,100
Employee institutions	333,631	327,103
Employees	1,221,373	1,201,638
Suppliers	792,777	629,022
Accrued expenses and other	140,779	237,132
	2,787,284	2,629,995

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

A. 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. These amounts are not reflected in the Financial Statements since they are not under ELEM's control.

B. The balances in the severance pay funds include accrued profits. Withdrawals from the funds are contingent upon compliance with Israeli laws applicable to severance pay.

**Note 8 - Assets with permanent restriction**

The amount of NIS 1,528,985 (About \$400,000) was transferred several years ago from Elem USA for use as collateral for current loans from the bank.

In 2012 the above amount was transferred to a now and separate bank account by Elem USA. The now bank account is use as collateral for current loans from the bank.

**Note 9 - Value of Volunteers' work**

In 2012 it was decided to present in the financial report for the first time the figure of the value of Elem volunteers. The calculation was performed by taking the minimum wage in 2012 plus social benefits by law, and in accordance with Elem. The Registration was performed against the various operating items.

Here is the table, in case that the value of volunteers' work has been presented in the financial statements of the previous year.

	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
Activity turnover	42,523,290	43,242,823
Cost of activities	37,710,991	37,861,712
Net income	4,812,299	5,381,111

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

**Note 10 - Cost of Activities**

	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
Information centers, counseling and community programs, Y Elem, "Yesh Lean", instruction and recruitment of volunteers	7,947,531	5,710,111
Street programs, instruction and recruitment of volunteers	6,314,707	4,271,800
Programs for extreme distress and unique projects – "Galgal", Shelter, Someone to Run With, Awake at Night	5,511,323	4,325,736
Multi-Cultural projects – "Migdalar", New immigrant girls, Arabic youth	6,315,963	3,075,347
Voluntary and community	1,711,452	464,905
Occupational activity for professional training – Lilit project, Café Yael, Bigud, Kapit, Derech Hamelech and Atzmai Bashedach	5,592,378	3,807,556
Guidance and management of knowledge	1,110,920	1,102,224
Inter-organizational initiatives and partnerships - The center for the prevention and treatment of sexual violence among children and youth in Tel Aviv, Afula and Tamra	2,827,547	2,059,631
Business activity for professional training (see breakdown)	<u>379,170</u>	<u>457,737</u>
	<u><u>37,710,991</u></u>	<u><u>25,275,047</u></u>

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

**Note 10 - Cost of Activities (continue):**  
**Breakdown of vocational training business activity**

	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
Inventory- beginning of year	4,000	8,000
Purchase	110,515	103,731
Inventory- end of the year	(4,000)	(4,000)
	110,515	107,731
	-----	-----
Expenses:		
Salaries	217,150	234,113
Equipment	1,290	9,161
Deprecation	38,545	37,287
Maintenance	11,670	25,506
Previous years expenses	-	43,939
	350,006	350,006
	-----	-----
Total business activities	379,170	457,737

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

**Note 11 - Administrative and General Expenses**

	<b><u>31 December</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
Salaries and social benefits	2,505,588	2,390,769
Office supplies and printing	74,199	82,647
Mail and communication	96,377	125,251
Rent	202,134	179,250
Electricity	32,434	29,663
Insurance	18,071	11,009
Transportation and parking	19,382	25,935
Auditing and professional fee	47,760	46,640
In-service Training	17,096	1,445
Office maintenance	225,803	135,857
Advertising and public relations	200,839	179,078
Municipal taxes and rates	32,123	40,048
Depreciation	3,177	3,669
Entertainment	11,901	8,009
Others	39,595	36,392
Car maintenance	185,311	202,304
	<u>3,711,790</u>	<u>3,497,966</u>

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

**Note 12 - 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. Expose the activity of Elem association to its target audience.
3. Recruit volunteers for new projects of the Elem association.
4. Encourage the public to contribute to Elem by lighting the bulbs of the flag.

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.

**schedule of consolidated subsidiarie**

	<b><u>Share in</u></b> <b><u>Equity</u></b> <b><u>%</u></b>	<b><u>Share in</u></b> <b><u>Control</u></b> <b><u>%</u></b>
Vocational Initiatives for Youth Ltd.	100	100

The company was incorporated in 2006 and it conducts several enterprises for vocational training of youth at risk.