BEIT T'SHUVAH

FINANCIAL STATEMENTS

JUNE 30, 2017

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NSBN LLP
CPAs & ADVISORS

INDEPENDENT AUDITORS' REPORT

December 14, 2017

The Board of Directors
Beit T'Shuvah
Los Angeles, California

We have audited the accompanying financial statements of Beit T'Shuvah (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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.

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INDEPENDENT AUDITORS' REPORT (CONT.)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beit T'Shuvah as of June 30, 2017, and the changes 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.

Report on Summarized Comparative Information

We have previously audited Beit T'Shuvah's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NSBN LLP

NSBN LLP
Los Angeles, California

NSBN LLP CPAs & ADVISORS

BEIT T'SHUVAH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 1,754,032	$ 1,642,157
Accounts receivable, net	134,688	377,033
Contributions receivable	833,281	1,336,336
Investments		
Board designated	3,364,057	2,823,552
Other	2,000,000	2,000,000
Prepaid expenses	111,881	137,517
TOTAL CURRENT ASSETS	8,197,939	8,316,595
PROPERTY AND EQUIPMENT		
Land	5,904,614	5,904,614
Building and improvements	13,192,403	13,192,403
Equipment and furniture	1,085,430	1,085,430
Construction in progress	71,157	5,628
Total	20,253,604	20,188,075
Less: Accumulated depreciation	(3,605,775)	(3,023,590)
NET PROPERTY AND EQUIPMENT	16,647,829	17,164,485
OTHER ASSETS		
Contributions receivable, net	937,184	1,306,153
TOTAL ASSETS	$ 25,782,952	$ 26,787,233
LIABILITIES		
Accounts payable	$ 21,113	$ 47,640
Accrued salaries and vacation	408,935	428,306
TOTAL CURRENT LIABILITIES	430,048	475,946
NET ASSETS		
Unrestricted	21,287,556	21,978,089
Temporarily restricted	2,065,348	2,333,198
Permanently Restricted	2,000,000	2,000,000
TOTAL NET ASSETS	25,352,904	26,311,287
TOTAL LIABILITIES AND NET ASSETS	$ 25,782,952	$ 26,787,233

See accompanying auditors' report.

The notes are an integral part of these financial statements.

BEIT T'SHUVAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Contributions and grants	$ 1,159,513	$ 1,750,802	$ -	$ 2,910,315	$ 2,461,280
Primary and extended care	2,009,587	-	-	2,009,587	2,270,480
Special events (net of expenses of $552,170)	1,656,589	-	-	1,656,589	1,548,001
Thrift shop	1,166,170	-	-	1,166,170	1,299,031
Donated services	1,010,550	-	-	1,010,550	1,000,625
Investment income (loss)	522,946	42,831	-	565,777	(130,633)
Gambling program	475,000	-	-	475,000	575,481
Congregation Beit T'Shuvah	261,687	146,615	-	408,302	519,809
Rental income	311,641	-	-	311,641	295,777
Creative matters	200,388	-	-	200,388	553,672
Fees for services	143,658	-	-	143,658	165,445
Other income	41,725	-	-	41,725	28,921
Releases from restriction	2,208,098	(2,208,098)	-	-	-
TOTAL REVENUE AND SUPPORT	11,167,552	(267,850)	-	10,899,702	10,587,889
EXPENSES					
Program expenses	9,324,427	-	-	9,324,427	9,886,790
Management and General	1,277,473	-	-	1,277,473	1,377,922
Fundraising	1,029,979	-	-	1,029,979	647,415
TOTAL EXPENSES	11,631,879	-	-	11,631,879	11,912,127
Write down of pledges receivable	(226,206)	-	-	(226,206)	(259,362)
CHANGE IN NET ASSETS	(690,533)	(267,850)	-	(958,383)	(1,583,600)
NET ASSETS, Beginning of year	21,978,089	2,333,198	2,000,000	26,311,287	27,894,887
NET ASSETS, End of year	$ 21,287,556	$ 2,065,348	$ 2,000,000	$ 25,352,904	$ 26,311,287

See accompanying auditors' report.

The notes are an integral part of these financial statements.

BEIT T'SHUVAH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	2017				2016
	Program Services	Management and General	Fundraising	Total Expense	Total Expenses
Salaries	$ 3,939,789	$ 695,321	$ 566,016	$ 5,201,126	$ 5,099,344
Employee benefits	648,166	74,072	50,762	773,000	763,985
Payroll taxes	319,989	60,161	42,120	422,270	420,787
Total salary related expense	4,907,944	829,554	658,898	6,396,396	6,284,116
Professional fees	759,813	313,740	99,897	1,173,450	1,281,758
Donated services	1,010,550	-	-	1,010,550	1,000,625
Supplies - food	581,742	1,166	22,831	605,739	638,790
Facilities and occupancy	478,131	21,624	24,568	524,323	528,882
Work therapy	234,401	4,050	6,300	244,751	225,073
Travel and auto	238,031	2,691	1,720	242,442	251,857
Bad debt expense	-	-	-	-	113,188
Taxes and fees	161,412	1,294	30,452	193,158	155,288
Insurance	95,976	33,948	11,997	141,921	133,676
Office expenses	95,807	3,961	36,751	136,519	229,092
Other expenses	131,091	1,290	1,746	134,127	116,990
Repairs and maintenance	115,443	70	14,302	129,815	178,527
Advertising and marketing	41,777	45	41,555	83,377	158,837
Fundraising expenses	-	-	33,126	33,126	42,825
Total expenses before depreciation	8,852,118	1,213,433	984,143	11,049,694	11,339,524
Depreciation	472,309	64,040	45,836	582,185	572,603
TOTAL EXPENSES	$ 9,324,427	$ 1,277,473	$ 1,029,979	$ 11,631,879	$ 11,912,127

See accompanying auditors' report.

The notes are an integral part of these financial statements.

BEIT T'SHUVAH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (958,383)	$ (1,583,600)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	582,185	572,603
Net investment (gain) loss	(522,951)	160,746
Change in present value discount on contributions receivable	(4,563)	42,906
(Increase) decrease in assets:		
Accounts receivable, net	242,345	26,210
Contributions receivable	872,024	1,233,670
Prepaid expenses	25,636	(41,058)
Increase (decrease) in liabilities:		
Accounts payable	(26,527)	(17,201)
Accrued salaries and vacation	(19,371)	(56,110)
NET CASH PROVIDED BY OPERATING ACTIVITIES	190,395	338,166
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(65,529)	(136,543)
Investments:		
Purchase of investments	(120,091)	(712,939)
Proceeds from sale of investments	107,100	205,511
NET CASH USED IN INVESTING ACTIVITIES	(78,520)	(643,971)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	111,875	(305,805)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,642,157	1,947,962
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,754,032	$ 1,642,157

See accompanying auditors' report.

The notes are an integral part of these financial statements.

NOTE 1 ORGANIZATION

Beit T'Shuvah (the "Organization") is a nonprofit corporation organized in the state of California.

Mission and History

Beit T'Shuvah's mission is to provide emotional and spiritual healing to individuals and families afflicted with addictive and behavioral disorders. We are the only addiction treatment program in the United States that integrates Jewish traditions and spirituality, the 12-steps of Alcoholics Anonymous, traditional psychotherapy, creative arts expression, vocational counseling, and mind/body therapy and traditional psychotherapy.

There are a total of 145 beds combined in Primary Care, Extended care, and post-graduate housing. The average patient is treated for 6 months with a total of 200 residents treated and cared for annually. Over 75% of Beit T'Shuvah's employees are alumni of the recovery program.

Current Programs include the following:

Primary Care where each resident is assigned a staff counselor with expertise in addiction counseling, an individual therapist and a spiritual counselor. Residents participate is group therapy sessions, 12-step meetings, Torah study, music process groups, and may also elect to participate in arts and mind/body programs.

After completing Primary Care or initial levels of treatment, residents have opportunities to live In Extended Care facilities and then post-graduate housing. Residents receive career counseling at the Susan and Leonard Nimoy Career Center, and work experience is available to residents through internships and externships as they progress in their recovery. Those in Extended Care and post-graduate housing are employed and pay rent.

There are a broad range of services for non-residents, their families and alumni. Additionally, educational and professional training services are offered through Youth Prevention programming and the Elaine Breslow Institute, respectively.

The Beit T'Shuvah Right action Gambling Program provides a holistic, therapeutic treatment services for gambling addiction in collaboration with the UCLA Gambling Studies Program and the California Office of Problem Gambling.

Congregation BTS is the spiritual core of our community, offering weekly services integrating faith and recovery.

Creative Matters is a full service design and branding agency providing services to local non-profit and for-profit businesses at affordable rates while serving as a training center for residents.

Beit T'Shuvah Thrift Store provides valuable job training and workforce re-entry skills to residents of Beit T'Shuvah, and helps offset the cost of care.

NOTE 1 ORGANIZATION (CONT.)

No one has ever been refused treatment at Beit T'Shuvah because of an inability to pay, with the majority of residents receiving substantial financial assistance. Beit T'Shuvah is dependent on private donations and Foundation grants.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation-

Accounting principles generally accepted in the United States of America require that the Organization report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted -

The unrestricted class is the portion of the net assets of the Organization that are not subject to donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

Temporarily Restricted-

The temporarily restricted class is the portion of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. The majority of contributions with restrictions are stipulated to be used as funding for specific production projects.

Permanently Restricted-

The permanently restricted class is the portion used to record resources received that are permanently restricted as to use by the donor or grantor.

Cash and Cash Equivalents-

For the purposes of the financial statement, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Accounts Receivable-

Represents amounts owed to the Organization by the residence and participants of programs, rent from the occupants, special events, purchases and commitments. For the year ended June 30, 2017, the allowance for doubtful accounts was $4,204 against primary care receivables.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions-

As required by accounting principles generally accepted in the United States of America, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services and Materials-

Consistent with accounting principles generally accepted in the United States of America, the Organization recognizes as support only those donated services which create or enhance non-financial assets or which require specialized skills which the Organization would otherwise have paid for. Donated materials are recognized as contributions at their fair values at the date of donation. Total donated services for the year ended June 30, 2017 was $1,010,550.

Property and Equipment-

Property and equipment are recorded at historical cost and are being depreciated using the straight-line method over the estimated useful life of the assets. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. The following lives have been assigned:

Classification	Life
Building and Improvements	30 Years
Furniture and equipment	5 Years

Advertising-

Advertising costs are charged to operations when incurred and are included in functional expenses.

Investments-

Investments are comprised of marketable securities, carried at fair value.

Tax Status-

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code.

The Organization files IRS Form 990 and State Forms 199 and RRF-1. Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Organization does not believe the financial statements include any uncertain tax positions. With few exceptions, The Organization is no longer subject to U.S. federal and state examinations by tax authorities for the years before 2014 and 2013, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses-

The costs of providing the program and the supporting services have been summarized on a functional basis in the statement of activities, and in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

Summarized Comparative Financial Information-

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications-

Certain 2016 financial information has been reclassified to conform to the 2017 presentation. The reclassifications have no impact on the previously reported changes in net assets.

Subsequent Events-

Management has evaluated subsequent events through December 14, 2017, the date the financial statements were available to be issued.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of June 30, 2017 are as follows:

	Cost	Fair Value
Cash and cash equivalents in investment pool	$ 53,960	$ 53,960
Common investment pool	3,119,572	5,309,593
Bonds	500	503
Total investments	$ 3,174,032	$ 5,364,056

The Organization's investments are reported at fair value in the accompanying statements of financial position for June 30, 2017.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENT (CONT.)

		Fair Value Measurements Using:	
	Fair Value	Quoted Prices in active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2
Cash equivalents in investment pool	$ 53,960	$ 53,960	$ -
Common investment pool	5,309,593	-	5,309,593
Bonds	503	503	-
Total	$ 5,364,056	$ 54,463	$ 5,309,593

Accounting principles generally accepted in the United States defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The standards provide a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction, prioritizes the use of market based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets. Fair values determined by level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset. There were no level 3 inputs as of June 30, 2017.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Certain promises to give are recorded after discounting at the rate of 1.17% to the present value of the future cash flows. At June 30, 2017, promises to give are expected to be realized in the following periods:

In one year or less	$ 881,281
Less allowance for doubtful pledges	(48,000)
Total due in one year or less	$ 833,281
Between one year and five years	$ 994,032
Less discount	(56,848)
Total due between one year and five years	$ 937,184

NOTE 5 BUILDING AND IMPROVEMENTS

Building and improvement consists of the following:

Building and building improvements (Venice Blvd)	$12,302,868
Building and building improvements (Washington Blvd)	618,389
Building and building improvements (National Blvd)	271,146
Total building and building improvements	$ 13,192,403

The Venice building, which is the Residential Treatment and Prevention Center, accommodates patients in the program, administrative offices and other program services. The Washington Boulevard building accommodates the Thrift Shop. The National Boulevard building currently has a tenant and construction is expected to begin during 2017.

NOTE 6 RESTRICTED NET ASSETS

The restricted net assets are available for the following purposes:

Temporarily Restricted Funds:	
Capital fund	$ 899,697
Foundation grants and pledges	1,165,651
Subtotal	$ 2,065,348
Permanently Restricted Fund:	
Endowment in perpetuity, the income of which is expendable to support treatment and prevention programs	$2,000,000

NOTE 7 NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors.

Purpose Restrictions Accomplished:

Capital fund	$ 710,875
Elaine Breslow Family Center	617,000
Pledges satisfied by passage of time	490,358
Temple	225,298
Jewish Federation	60,000
Release of endowment income	42,831
Career Center	27,736
IOP	25,000
Youth Prevention	9,000
Total	$2,208,098

NOTE 8 COMMITMENTS

The Organization leases various apartment units, a warehouse and copiers expiring at various dates. Future minimum annual rental payments under these lease agreements are as follows:

Year Ending June 30,	Total
2018	$ 184,289
2019	127,867
2020	132,887
2021	114,451
2022	90,470
Totals	$ 649,964

Rental expense for the year ended June 30, 2017 was included in the functional expenses.

NOTE 9 CASH IN BANK – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents at several banks which may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents at June 30, 2017.

NOTE 10 DONOR DESIGNATED ENDOWMENT

The Organization's endowment consist of a fund established for the purpose of creating a permanent endowment. 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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.

Endowment assets are invested in a well-diversified investment pool, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Organization has a policy of appropriating for distribution each year 3% of its endowment fund's investment income through the current fiscal year-end.

Endowment Net Asset Composition by Type of Fund as of June 30, 2017 is as follows:

	Permanently Restricted
Donor-restricted endowment funds	$ 2,000,000

NOTE 10 DONOR DESIGNATED ENDOWMENT (CONT.)

Changes in endowment net assets as of June 30, 2017 are as follows:

	Permanently Restricted
Endowment net assets, beginning of year	
Contributions	$ 2,000,000
Investment income	42,831
Net appreciation (depreciation)	-
Amount appropriated for expenditure	(42,831)
Endowment net assets, end of year	$ 2,000,000

NOTE 11 RETIREMENT PLAN

The Organization maintains a 401(k) plan for the benefit of all eligible employees. The Plan matches 7.5% of the first 15% of employee contributions. For the year ended June 30, 2017, total expense was $99,160.