BEIT T'SHUVAH

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

BEIT T'SHUVAH
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Beit T'Shuvah
Los Angeles, California

Report on the Financial Statements

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, 2018, 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 from 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 auditors' 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.

Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of Beit T'Shuvah as of June 30, 2018, 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

The 2017 financial statements were audited by NSBN LLP, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2018, and whose report dated December 14, 2017 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Los Angeles, California
February 11, 2019

BEIT T'SHUVAH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 1,790,383	$ 1,754,032
Accounts Receivable, Net	222,525	134,688
Contributions Receivable	1,503,567	1,770,465
Investments:		
Board Designated	4,012,571	3,364,057
Other	2,000,000	2,000,000
Prepaid Expenses	97,067	111,881
Total Current Assets	9,626,113	9,135,123
PROPERTY AND EQUIPMENT		
Land	5,904,614	5,904,614
Building and Improvements	13,411,064	13,192,403
Equipment and Furniture	1,140,126	1,085,430
Construction in Progress	45,057	71,157
Total	20,500,861	20,253,604
Less: Accumulated Depreciation	(4,185,728)	(3,605,775)
Net Property and Equipment	16,315,133	16,647,829
Total Assets	$ 25,941,246	$ 25,782,952
LIABILITIES		
Accounts Payable	$ 29,226	$ 21,113
Accrued Salaries and Vacation	458,439	408,935
Total Liabilities	487,665	430,048
NET ASSETS		
Unrestricted	21,995,223	21,287,556
Temporarily Restricted	1,458,358	2,065,348
Permanently Restricted	2,000,000	2,000,000
Total Net Assets	25,453,581	25,352,904
Total Liabilities and Net Assets	$ 25,941,246	$ 25,782,952

See accompanying Notes to Financial Statements.

BEIT T'SHUVAH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Contributions and Grants	$ 1,031,658	$ 1,987,759	$ -	$ 3,019,417	$ 2,910,315
Primary and Extended Care	2,040,297	-	-	2,040,297	2,009,587
Special Events (Net of Expenses of $494,139)	2,067,397	-	-	2,067,397	1,656,589
Thrift Shop	1,180,734	-	-	1,180,734	1,166,170
Donated Services	1,044,925	-	-	1,044,925	1,010,550
Investment Income (Loss)	353,245	23,699	-	376,944	565,777
Gambling Program	405,101	-	-	405,101	475,000
Congregation Beit T'Shuvah	485,781	-	-	485,781	408,302
Rental Income	176,787	-	-	176,787	311,641
Creative Matters	293,659	-	-	293,659	200,388
Fees for Services	23,120	-	-	23,120	143,658
Other Income	23,312	-	-	23,312	41,725
Releases from Restriction	2,618,448	(2,618,448)	-	-	-
Total Revenue and Support	11,744,464	(606,990)	-	11,137,474	10,899,702
EXPENSES AND LOSSES					
Program Services Expense:					
Program Expenses	8,879,870	-	-	8,879,870	9,324,427
Supporting Services Expense:					
Management and General	1,049,763	-	-	1,049,763	1,277,473
Fundraising	1,107,164	-	-	1,107,164	1,029,979
Total Supporting Services Expense	11,036,797	-	-	11,036,797	11,631,879
Loss on Uncollectible Promises to Give	-	-	-	-	(226,206)
Total Expenses and Losses	11,036,797	-	-	11,036,797	11,405,673
CHANGE IN NET ASSETS	707,667	(606,990)	-	100,677	(958,383)
Net Assets - Beginning of Year	21,287,556	2,065,348	2,000,000	25,352,904	26,311,287
NET ASSETS - END OF YEAR	$ 21,995,223	$ 1,458,358	$ 2,000,000	$ 25,453,581	$ 25,352,904

See accompanying Notes to Financial Statements.

BEIT T'SHUVAH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018				2017
	Program Services	Management and General	Fundraising	Total Expense	Total Expenses
Salaries	$ 3,704,294	$ 586,534	$ 615,581	$ 4,906,409	$ 5,201,126
Employee Benefits	579,017	69,899	75,774	724,690	773,000
Payroll Taxes	299,169	47,989	44,858	392,016	422,270
Total Salary Related Expense	4,582,480	704,422	736,213	6,023,115	6,396,396
Donated Services	1,044,925	-	-	1,044,925	1,010,550
Professional Fees	487,968	230,068	45,013	763,049	1,173,450
Supplies - Food	602,509	883	22,828	626,220	605,739
Facilities and Occupancy	544,261	3,635	16,762	564,658	524,323
Work Therapy	253,044	7,804	22,879	283,727	244,751
Travel and Auto	223,923	6,454	5,714	236,091	242,442
Other Expenses	175,598	23,654	1,389	200,641	134,127
Taxes and Fees	117,550	6,467	40,800	164,817	193,158
Office Expenses	117,868	2,044	34,418	154,330	136,519
Repairs and Maintenance	99,254	9,073	30,781	139,108	129,815
Insurance	133,885	2,090	2,090	138,065	141,921
Advertising and Marketing	29,478	393	35,088	64,959	83,377
Fundraising Expenses	-	-	32,634	32,634	33,126
Bad Debt Expense	20,505	-	-	20,505	-
Total Expenses before Depreciation	8,433,248	996,987	1,026,609	10,456,844	11,049,694
Depreciation	446,622	52,776	80,555	579,953	582,185
Total Expenses	$ 8,879,870	$ 1,049,763	$ 1,107,164	$ 11,036,797	$ 11,631,879

See accompanying Notes to Financial Statements.

BEIT T'SHUVAH
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 100,677	$ (958,383)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	579,953	582,185
Net Investment Loss	(305,911)	(522,951)
Change in Present Value Discount on Contributions Receivable	18,671	(4,563)
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(87,837)	242,345
Contributions Receivable	248,227	872,024
Prepaid Expenses	14,814	25,636
Increase (Decrease) in Liabilities:		
Accounts Payable	8,113	(26,527)
Accrued Salaries and Vacation	49,504	(19,371)
Net Cash Provided by Operating Activities	626,211	190,395
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(247,257)	(65,529)
Investments:		
Purchase of Investments	(342,977)	(120,091)
Proceeds from Sale of Investments	374	107,100
Net Cash Used by Investing Activities	(589,860)	(78,520)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,351	111,875
Cash and Cash Equivalents - Beginning of Year	1,754,032	1,642,157
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,790,383	$ 1,754,032

See accompanying Notes to 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 integrate 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 six 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

Primary care is where each resident is assigned a staff counselor with expertise in addiction counseling, an individual therapist, and a spiritual counselor. Residents participate in 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 nonresidents, 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 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 nonprofit 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 (CONTINUED)

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. The Organization 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 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, 2018, the allowance for doubtful accounts was $4,204 against primary care receivables.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonfinancial 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, 2018 were $1,044,925.

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:

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017, from which the summarized information was derived.

Reclassifications-

Certain 2017 financial information has been reclassified to conform to the 2018 presentation. The reclassifications have no impact on the previously reported changes in net assets.

Subsequent Events-

Management has evaluated subsequent events through February 11, 2019, the date the financial statements were available to be issued.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of June 30, 2018 are as follows:

	Cost	Fair Value
Cash and Cash Equivalents in Investment Pool	$ 97,066	$ 97,066
Common Investment Pool	3,376,965	5,915,505
Total Investments	$ 3,474,031	$ 6,012,571

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The Organization's investments are reported at fair value in the accompanying statements of financial position for June 30, 2018.

			Fair Value Measurements at Report Date Using:			
		Total		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)
Cash Equivalents in Investment Pool	$	97,066	$	97,066	$	-
Common Investment Pool		5,915,505		-		5,915,505
Bonds		-		-		-
Total	$	6,012,571	$	97,066	$	5,915,505

Accounting principles generally accepted in the United States of America defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances. There were no Level 3 inputs as of June 30, 2018.

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 2.25% to the present value of the future cash flows. At June 30, 2018, promises to give are expected to be realized in the following periods:

Within One Year	$ 1,052,370
In One to Five Years	537,374
Over Five Years	-
Total	1,589,744
Less: Discount to Net Present Value	(38,177)
Less: Allowance for Uncollectible Promises to Give	(48,000)
Total	$ 1,503,567

NOTE 5 FIXED ASSETS

Fixed Assets consist of the following:

Land and Improvements	$ 5,904,614
Buildings and Improvements:	
Venice Boulevard	12,490,352
Washington Boulevard	623,389
National Boulevard	297,323
Equipment	141,506
Furniture and Fixtures	998,620
Construction in Process	45,057
Total	20,500,861
Less: Accumulated Depreciation and Amortization	4,185,728
Total Property and Equipment	$ 16,315,133

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 construction began during 2017 with the hiring of architects and other preparation work for future construction on the site.

NOTE 6 RESTRICTED NET ASSETS

The restricted net assets are available for the following purposes:

Temporarily Restricted Funds:		
Capital Fund	$	560,732
Foundation Grants and Pledges		897,626
Total Temporarily Restricted	$	1,458,358
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	$	1,006,856
Pledges Satisfied by Passage of Time		818,463
Elaine Breslow Family Center		212,324
Youth Prevention		205,868
IOP		125,000
Jewish Federation		120,000
Career Center		63,270
Temple		42,968
Release of Endowment Income		23,699
Total	$	2,618,448

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,		Amount
2019	$	130,816
2020		131,713
2021		115,634
2022		93,465
2023		95,803
Total Minimum Lease Payments	$	567,431

Rental expense for the year ended June 30, 2018 was $223,021.

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, 2018.

NOTE 10 DONOR DESIGNATED ENDOWMENT

The Organization's endowment consists 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.

NOTE 10 DONOR DESIGNATED ENDOWMENT (CONTINUED)

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, 2018 is as follows:

Permanently Restricted Funds:	
Donor-Restricted	$ 2,000,000

Changes in endowment net assets as of June 30, 2018 are as follows:

Endowment Net Assets - Beginning of Year	$ 2,000,000
Contributions	-
Investment Income	23,699
Net Appreciation (Depreciation)	-
Amount Appropriated for Expenditure	(23,699)
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, 2018, total expense was $113,206.