BEIT T'SHUVAH

FINANCIAL STATEMENTS

JUNE 30, 2016

NSBN LLP
CPAs & ADVISORS

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INDEPENDENT AUDITORS' REPORT

February 28, 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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NSBN LLP

NSBN LLP
Los Angeles, California

BEIT T'SHUVAH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 1,642,157	$ 1,947,962
Accounts receivable, net	377,033	403,243
Contributions receivable	1,336,336	2,114,119
Investments		
Board designated	2,823,552	2,506,706
Other	2,000,000	1,970,164
Prepaid expenses	137,517	96,459
TOTAL CURRENT ASSETS	8,316,595	9,038,653
PROPERTY AND EQUIPMENT		
Land	5,904,614	5,904,614
Building and improvements	13,192,403	13,095,875
Equipment and furniture	1,085,430	1,051,043
Construction in progress	5,628	-
Total	20,188,075	20,051,532
Less: Accumulated depreciation	(3,023,590)	(2,450,987)
NET PROPERTY AND EQUIPMENT	17,164,485	17,600,545
OTHER ASSETS		
Contributions receivable, net	1,306,153	1,804,946
TOTAL ASSETS	$ 26,787,233	$ 28,444,144
LIABILITIES		
Accounts payable	$ 47,640	$ 64,841
Accrued salaries and vacation	428,306	484,416
TOTAL CURRENT LIABILITIES	475,946	549,257
NET ASSETS		
Unrestricted	21,978,089	22,250,165
Temporarily restricted	2,333,198	3,644,722
Permanently Restricted	2,000,000	2,000,000
TOTAL NET ASSETS	26,311,287	27,894,887
TOTAL LIABILITIES AND NET ASSETS	$ 26,787,233	$ 28,444,144

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, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Primary and extended care	$ 2,270,480	$ -	$ -	$ 2,270,480	$ 2,605,603
Gambling program	575,481	-	-	575,481	581,872
Contributions and grants	880,031	1,581,249	-	2,461,280	2,472,141
Special events (net of expenses of $357,077)	1,548,001	-	-	1,548,001	1,522,823
Congregation Beit T'Shuvah	386,106	133,703	-	519,809	404,445
Donated services	1,000,625	-	-	1,000,625	1,066,450
Thrift shop	1,299,031	-	-	1,299,031	1,159,290
Creative matters	553,672	-	-	553,672	339,925
Fees for services	165,445	-	-	165,445	135,552
Rental income	295,777	-	-	295,777	193,829
Investment income (loss)	(160,593)	29,960	-	(130,633)	(1,199)
Other income	28,921	-	-	28,921	42,736
Releases from restriction	3,056,436	(3,056,436)	-	-	-
TOTAL REVENUE AND SUPPORT	11,899,413	(1,311,524)	-	10,587,889	10,523,467
EXPENSES					
Program expenses	9,886,790	-	-	9,886,790	8,332,240
Management and General	1,377,922	-	-	1,377,922	1,273,984
Fundraising	647,415	-	-	647,415	580,129
TOTAL EXPENSES	11,912,127	-	-	11,912,127	10,186,353
Write down of pledges receivable	(259,362)	-	-	(259,362)	(625,000)
CHANGE IN NET ASSETS	(272,076)	(1,311,524)	-	(1,583,600)	(287,886)
NET ASSETS, Beginning of year	22,250,165	3,644,722	2,000,000	27,894,887	28,182,773
NET ASSETS, End of year	$ 21,978,089	$ 2,333,198	$ 2,000,000	$ 26,311,287	$ 27,894,887

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, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016				2015
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	$ 3,912,212	$ 915,997	$ 271,135	$ 5,099,344	$ 4,206,074
Employee benefits	630,174	108,688	25,123	763,985	620,876
Payroll taxes	330,226	66,977	23,584	420,787	353,288
Total salary related expense	4,872,612	1,091,662	319,842	6,284,116	5,180,238
Donated services	1,000,625	-	-	1,000,625	1,066,450
Professional fees	1,072,789	144,904	64,065	1,281,758	848,044
Supplies - food	632,848	1,189	4,753	638,790	636,698
Facilities and occupancy	482,288	21,812	24,782	528,882	508,793
Travel and auto	245,431	2,971	3,455	251,857	281,891
Work therapy	215,173	1,350	8,550	225,073	264,666
Repairs and maintenance	156,882	1,905	19,740	178,527	215,203
Office expenses	177,390	10,881	40,821	229,092	208,071
Advertising and marketing	123,017	522	35,298	158,837	137,563
Taxes and fees	125,826	4,331	25,131	155,288	127,949
Insurance	90,400	31,976	11,300	133,676	121,867
Other expenses	113,786	1,433	1,771	116,990	92,966
Bad debt expense	113,188	-	-	113,188	-
Fundraising expenses	-	-	42,825	42,825	79,041
Total expenses before depreciation	9,422,255	1,314,936	602,333	11,339,524	9,769,440
Depreciation	464,535	62,986	45,082	572,603	416,913
TOTAL EXPENSES	$ 9,886,790	$ 1,377,922	$ 647,415	$ 11,912,127	$ 10,186,353

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, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,583,600)	$ (287,886)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	572,603	416,913
Net investment (gain) loss	160,746	66,092
Change in present value discount on contributions receivable	42,906	70,681
(Increase) decrease in assets:		
Accounts receivable, net	26,210	(139,768)
Contributions receivable	1,233,670	2,096,458
Prepaid expenses	(41,058)	13,946
Increase (decrease) in liabilities:		
Accounts payable	(17,201)	(31,372)
Accrued salaries & vacation	(56,110)	51,972
NET CASH PROVIDED BY OPERATING ACTIVITIES	338,166	2,257,036
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(136,543)	(6,495,420)
Investments:		
Purchase of investments	(712,939)	(1,318,310)
Proceeds from sale of investments	205,511	5,387,860
NET CASH USED IN INVESTING ACTIVITIES	(643,971)	(2,425,870)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(305,805)	(168,834)
CASH AND CASH EQUIVALENTS, BEGINNNG OF YEAR	1,947,962	2,116,796
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,642,157	$ 1,947,962

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 400 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, 2016, 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, 2016 was $1,000,625.

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 2013 and 2012, 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, 2015, from which the summarized information was derived.

Reclassifications-

Certain 2015 financial information has been reclassified to conform to the 2016 presentation. The reclassifications have no impact on the previously reported changes in net assets.

Subsequent Events-

Management has evaluated subsequent events through February 28, 2017, the date the financial statements were available to be issued.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of June 30, 2016 are as follows:

	Cost	Fair Value
Cash and cash equivalents in investment pool	$ 36,027	$ 36,027
Common investment pool	3,119,572	4,787,022
Bonds	500	503
Total investments	$ 3,156,099	$ 4,823,552

The Organization's investments are reported at fair value in the accompanying statements of financial position for June 30, 2016.

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	$ 36,027	$ 36,027	$ -
Common investment pool	4,787,022	-	4,787,022
Bonds	503	503	-
Total	$ 4,823,552	$ 36,530	$ 4,787,022

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, 2016.

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, 2016, promises to give are expected to be realized in the following periods:

In one year or less	$ 1,384,336
Less allowance for doubtful pledges	(48,000)
Total due in one year or less	$ 1,336,336
Between one year and five years	$ 1,358,437
Less discount	(52,285)
Total due between one year and five years	$ 1,306,152

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	$ 1,610,571
Foundation grants and pledges	722,627
Subtotal	$ 2,333,198
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	$ 1,432,687
Pledges satisfied by passage of time	1,088,895
IOP	300,000
Elaine Breslow Family Center	144,373
Career Center	31,018
Release of endowment income	29,960
Temple	24,503
Outpatient	5,000
Total	$3,056,436

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
2017	$ 282,937
2018	221,817
2019	153,653
2020	114,323
2021	116,847
Totals	$ 889,577

Rental expense for the year ended June 30, 2016 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, 2016.

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.

NOTE 10 DONOR DESIGNATED ENDOWMENT (CONT.)

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, 2016 is as follows:

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

Changes in endowment net assets as of June 30, 2016 are as follows:

	Permanently Restricted
Endowment net assets, beginning of year	
Contributions	$ 2,000,000
Investment income	29,960
Net appreciation (depreciation)	-
Amount appropriated for expenditure	(29,960)
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, 2016, total expense was $96,746.