BET TZEDEK

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE
FOR THE YEAR ENDED
AUGUST 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2015)

BET TZEDEK
(A NONPROFIT ORGANIZATION)
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August 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bet Tzedek
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Bet Tzedek (the "Organization") which comprise the statement of financial position as of August 31, 2016, 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 the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 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 the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the 2015 financial statements have been restated for the change in accounting policy related to the accounting of donated pro bono legal services.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Par 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2017 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Singer Lewak LLP

May 30, 2017

BET TZEDEK

(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
August 31, 2016
(with Comparative Totals for August 31, 2015)

ASSETS

	2016	As Restated 2015
Assets		
Cash and cash equivalents	$ 2,069,062	$ 1,151,461
Investments (Note 3)	5,267,453	4,862,582
Pledges and grants receivable, net (Note 4)	473,238	484,903
Prepaid expenses and other assets	35,498	19,201
Client funds	10,131	150,880
Restricted cash	54,975	69,147
Property and equipment, net (Note 5)	174,946	289,465
Total assets	**$ 8,085,303**	**$ 7,027,639**

LIABILITIES AND NET ASSETS

	2016	As Restated 2015
Liabilities		
Accounts payable and accrued expenses	$ 638,638	$ 627,897
Client funds	10,131	171,230
Due to other agencies	-	51,682
Deferred rent	463,545	524,557
Deferred revenue	111,733	61,413
Capital lease obligations	27,708	58,170
Note payable (Note 7)	-	276,891
Line of credit (Note 8)	-	300,969
Total liabilities	1,251,755	2,072,809
Commitments and contingencies (Note 9)		
Net assets		
Unrestricted (Note 10)	1,041,362	32,107
Temporarily restricted (Note 10)	1,797,854	951,775
Permanently restricted (Note 10)	3,994,332	3,970,948
Total net assets	6,833,548	4,954,830
Total liabilities and net assets	**$ 8,085,303**	**$ 7,027,639**

The accompanying notes are an integral part of these financial statements.

BET TZEDEK
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	As Restated 2015
Revenue, support and gains					
Donated goods and services	$ 1,728,627	$ -	$ -	$ 1,728,627	$1,997,750
Private grants	1,277,502	1,410,964	-	2,688,466	2,356,549
Federal awards	970,452	-	-	970,452	797,386
Other awards	226,450	-	-	226,450	184,467
Fundraising events (net of $464,000 and $429,000 of events costs, respectively)	1,733,066	-	-	1,733,066	1,905,204
Contributions					
General	1,169,247	25,000	-	1,194,247	1,039,898
Restricted endowment	-	-	26,045	26,045	14,125
Program income	1,005,261	717,655	-	1,722,916	467,851
(Loss) Recovery on fair value of pledge	(9,172)	-	(2,661)	(11,833)	12,420
Investment and interest income	34,221	139,147	-	173,368	107,027
Unrealized/realized gains (losses) on investments	40,832	167,233	-	208,065	(166,077)
Net assets released from restriction	1,613,920	(1,613,920)	-	-	-
Total revenue, support and gains	9,790,406	846,079	23,384	10,659,869	8,716,600
Expenses					
Program services	7,284,261	-	-	7,284,261	7,576,166
Supporting services	899,835	-	-	899,835	1,014,448
Fundraising	597,055	-	-	597,055	659,944
Total expenses	8,781,151	-	-	8,781,151	9,250,558
Change in net assets	1,009,255	846,079	23,384	1,878,718	(533,958)
Net assets, beginning of year	32,107	951,775	3,970,948	4,954,830	5,488,788
Net assets, end of year	**$ 1,041,362**	**$ 1,797,854**	**$ 3,994,332**	**$ 6,833,548**	**$ 4,954,830**

The accompanying notes are an integral part of these financial statements.

BET TZEDEK

(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2016
(With Comparative Totals for the Year Ended August 31, 2015

	Program Services	Supporting Services	Fundraising	Total 2016	As Restated Total 2015
Donated goods and services	$ 1,728,628	$ -	$ -	$ 1,728,628	$ 1,997,750
Salaries and benefits	4,306,057	774,243	446,979	5,527,279	5,799,494
Summer law clerks and temporary labor	17,550	46,098	-	63,648	210,385
Rent	373,492	20,750	20,750	414,992	325,376
Legal	11,744	-	-	11,744	49,636
Professional fees	66,661	8,819	6,364	81,844	78,528
Staff training and education	33,878	720	-	34,598	44,284
Books and research materials	18,029	-	91	18,120	16,684
Office expenses	268,036	25,916	74,318	368,270	353,274
Insurance	51,281	2,849	2,849	56,979	60,481
Travel and parking	75,758	4,209	4,209	84,176	100,671
Consultants	216,632	9,758	35,022	261,412	98,359
Depreciation	116,515	6,473	6,473	129,461	115,636
Total expenses	**$ 7,284,261**	**$ 899,835**	**$ 597,055**	**$ 8,781,151**	**$ 9,250,558**

The accompanying notes are an integral part of these financial statements.

BET TZEDEK
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2016
(with Comparative Totals for the Year Ended August 31, 2015)

	2016	As Restated 2015
Cash flows from operating activities		
Change in net assets	$ 1,878,718	$ (533,958)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized (gain) loss on investments	(208,065)	166,077
Credit for allowance for doubtful accounts and discount on pledges	(7,767)	(17,120)
Depreciation	129,461	115,636
Contributions to permanently restricted fund	(26,045)	(14,125)
Changes in operating assets and liabilities		
Pledges and grants receivable	19,432	430,679
Prepaid expenses and other assets	(16,297)	2,331
Client funds	(20,350)	20,350
Funds held for others agencies	-	394,625
Restricted cash	14,172	(17,649)
Accounts payable and accrued expenses	10,741	(352,099)
Due to other agencies	(51,682)	(378,454)
Deferred rent	(61,012)	(36,382)
Deferred revenue	50,320	(143,418)
Net cash provided by (used in) operating activities	1,711,626	(363,507)
Cash flows from investing activities		
Purchase of investments	(482,122)	(142,078)
Proceeds from sale of investments	285,316	690,952
Purchase of property and equipment	(14,942)	(101,896)
Net cash (used in) provided by investing activities	(211,748)	446,978
Cash flows from financing activities		
Principal payments on capital lease obligations	(30,462)	(14,041)
Permanently restricted fund donation	26,045	14,125
Payments on note payable	(276,891)	(23,109)
Payments on line of credit	(300,969)	(1,227)
Net cash (used in) financing activities	(582,277)	(24,252)
Net increase in cash and cash equivalents	917,601	59,219
Cash and cash equivalents, beginning of year	1,151,461	1,092,242
Cash and cash equivalents, end of year	**$ 2,069,062**	**$ 1,151,461**
Interest paid	**$ 8,965**	**$ 26,645**
Supplemental schedule of non-cash financing activity		
Conversion of line of credit to note payable	**$ -**	**$ 300,000**

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF OPERATIONS

For more than forty years, Bet Tzedek has led the nation's legal services community, providing free comprehensive assistance, creating innovative service delivery solutions, and partnering with premier corporate, public, and non-profit organizations to ensure justice for all. Each year, Bet Tzedek assists more than 20,000 people of every racial and religious background throughout the greater Los Angeles area. In addition to providing services at its headquarters in Los Angeles, the organization provides assistance at more than 30 senior centers, 5 courthouses, 3 food pantries, and various other community service locations throughout Los Angeles County. Through the Holocaust Survivors Justice Network Bet Tzedek also serves Holocaust survivors in 36 cities nationwide. With a dedicated staff of over 60, the organization makes a crucial difference in the lives of the most vulnerable members of the community.

Nationally recognized for its pro bono model, Bet Tzedek leverages the donated services of thousands of volunteers to dramatically increase the impact of its staff's work. In 2016, Bet Tzedek recruited, trained and mentored 1,403 pro bono attorneys, paralegals and law students who provided 52,617 hours of service to our clients, which management values at $13,771,581.

Our volunteers help make Bet Tzedek highly effective and efficient. A 2013 independent Social Return on Investment study found that every dollar invested in Bet Tzedek produced $7.01 in benefits to the community—a 701% return on investment. The organization has a fundraising return ratio of nearly 10 to 1. Additionally, $.83 of every dollar spent is used for program-related activities.

Bet Tzedek maintains staff experts in more than a dozen distinct subject areas including:

- Aging with Dignity
    - Elder Justice
    - Caregiver & Conservatorship
- Kids in Need
    - Guardianship and Kinship Care
    - Special Immigrant Juvenile Status (SIJS)
- Economic Justice
    - Employment Rights and Human Trafficking
    - Homeowner & Consumer Protection
    - Low Income Renters' Rights
    - Tax and Small Business
    - Government Benefits
- Holocaust Survivor Services
    - Holocaust Survivors Justice Network (Reparations)
    - Wrap-Around Elder Law Services

NOTE 1 – NATURE OF OPERATIONS (Continued)

- Rapid Response
  - Transgender Medical-Legal Partnership
  - Deportation Surge Response

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") in the United States of America.

Summarized Information
The financial statements include certain prior-year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP in the United States of America. Accordingly, such information is included for informational purposes only and should be read in conjunction with the Organization's financial statements for the year ended August 31, 2015, from which the summarized information was derived.

Reclassifications
Certain accounts in the prior-year financial statements have been classified for comparative purposes to conform to the presentation in the current-year financial statements. These reclassifications had no effect on net assets.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Pledges

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period in which the condition is met.

Temporarily restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent. Contributions where the donor has stipulated that the principal be maintained in perpetuity are recorded as permanently restricted support. The income earned on these related investments is available for the Organization's general operations, unless otherwise restricted by the donor.

The Organization records contributions receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. The Organization discounts contributions receivable that are expected to be collected in future periods using an appropriate discount rate commensurate with the risks involved. The provision for allowances for uncollectible amounts is 10% of the total gross contribution receivables at year end, plus specifically identified uncollectible accounts.

Grants and Revenue Recognition

The Organization recognizes grant funds as support, and revenue as exchange transactions (i.e., when eligible costs are incurred or when eligible services have been rendered). A receivable is recognized to the extent contract support earned exceeds cash advances. Conversely, a liability (refundable advance) is recorded when contract cash advances exceed support earned.

Grant funds are primarily received from:

- The Los Angeles City Department of Aging for the Legal Aid for the Welfare of Seniors Project ("City LAWS"),
- The Los Angeles City Department of Aging for the Family Kinship and Caregiver Project,
- The City of West Hollywood Social Services Department for the West Hollywood Legal Services Project ("City of West Hollywood"),
- The Los Angeles County Community Senior Services for the Legal Aid for the Welfare of Seniors Project ("County LAWS"),
- The Los Angeles County Community Senior Services for the Legal Aid for Family Kinship and Caregiver Project,
- The State Bar of California Legal Services Trust Fund from Interest on Lawyers Trust Account ("IOLTA")
- The State Bar of California Legal Services Trust Fund Program Equal Access Fund ("Equal Access")

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Revenue Recognition (Continued)

- The State Bar of California Bank Settlement Grant
- California Office of Emergency Services for Legal and Social services to victims of elder abuse.
- California Department of Senior Services for the Unaccompanied Minors project
- California Department of Public Social Services for the Community Services Block Grant
- Internal Revenue Services for the Low-Income Taxpayer Clinic

The grantor may, at its discretion, request the return of unexpended funds or apply such funds to a future grant period. In addition, if the Organization terminates its legal assistance activities, all unexpended funds are to be returned to the grantor.

Cash and Cash Equivalents
The Organization considers cash on deposit and temporary investments with financial institutions with an original maturity of three months or less to be cash equivalents.

Investments
Investments consist of equity, bond and fixed income mutual fund investments. Such investments are reported at fair value. Investment income (including realized and unrealized gains and losses) is reported in the statement of activities as increases in unrestricted net assets, unless their use is temporarily restricted by donor stipulation.

Client Funds
Client funds primarily represents amounts held and payable to third parties for undistributed legal settlements and other expenses.

Restricted Cash
Restricted cash represents amounts over which donors place temporary or permanent restrictions or are donor-restricted for long-term purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment
Property and equipment include the cost of the law library, furniture, equipment and leasehold improvements used in the operation of the Organization and related activities. Property and equipment acquired with grant funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, the funding source has a reversionary interest in the property, as well as the right to determine the use of any proceeds from the sale of the assets.

Additions, improvements and renewals that materially extend the useful lives of the assets are capitalized. Depreciation and amortization are computed using the straight-line method over estimated useful lives as follows:

Furniture and equipment, including software	3 to 5 years
Leasehold improvements	shorter of initial lease period or useful life of asset

When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any profit or loss arising from such disposition is recorded as a gain or loss. Expenditures for repairs and maintenance are charged to expenses as incurred. The law library has been fully depreciated.

Deferred Rent
Rent expenses for operating leases, which may have escalating rentals over the term of the lease, are recorded on a straight-line basis over the initial lease term. The initial lease term includes the “discount,” where certain monthly rental payments are paid with discount. The difference between rent expense and rent paid is recorded as “deferred rent.”

Deferred Revenue
Deferred revenue is recorded when contract cash advances exceed support earned.

Classes of Net Assets
Net assets of the Organization and changes therein have been classified and are reported as follows:

Unrestricted Net Assets – the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets (Continued)
Temporarily Restricted Net Assets – the part 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 the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations and reclassifications to (from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by the passage of time or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets – the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is permanently restricted by the donor. Generally, the donors permit the Organization to use all or part of the income earned on permanently restricted net assets for general or specific purposes.

Donated Goods and Services
Donated Goods and Services in the amount of $1,728,627 is comprised of $1,472,464 in donated goods and $256,463 in donated services. Donated goods are recorded at their fair value when an unconditional promise to give has been made or when goods have been received. The value of the donation is based on appraisal and other objective bases for determining the value or, in certain instances, based on management's best estimate of the fair value. Donated services is comprised of in-kind support for contributed professional services of volunteer attorneys, paralegals and law clerks for services they received from the external and internal legal professionals based on the fiscal year.

Donated services represent an essential component of Bet Tzedek's service model and are recognized as matching funds by public grant makers if the services received (a) create or enhance long-lived assets, (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services represent services valued at rates normally charged by the volunteers for similar services. In Fiscal Year 2016, Bet Tzedek received 3,096 hours of donated services that were calculated on a monthly basis and reported as specific in-kind requirements for those grants. Donated goods and services are included as support and revenue and expensed for the same amount under contributed professional services.

In addition to donated services reported to public grant makers and included in the financial statements, there were 49,521 hours (unaudited) of donated services to clients of the Organization, which management values at $13,515,417 (unaudited), but which were neither reported nor included in this financial audit.

Functional Allocation of Expenses
The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and in the statement of functional expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)
Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk
Certain financial instruments held by the Organization potentially subject the Organization to concentrations of credit risk. These financial instruments include cash and cash equivalents, receivables and investments.

The Organization maintains its cash and cash equivalents accounts with high-credit, quality financial institutions; accounts at each institution are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times during the year, cash in these accounts may exceed the federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

With respect to contributions revenue, the Organization routinely assesses the financial strength of its donors and, as a consequence, believes that the receivable credit risk exposure is limited. At August 31, 2016, three donors made up 43% of the pledges and grants receivable.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Income Taxes
The Organization is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding sections of the California Revenue and Taxation Code.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, "Uncertainty in Income Taxes" ("ASC 740"), the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. During the year ended August 31, 2016, the Organization performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which may have an effect on its tax-exempt status. The Organization's income tax returns remain subject to examination for all tax years ended on or after August 31, 2012 with regard to all tax positions and the results reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments
Financial instruments included in the Organization’s statement of financial position include cash and cash equivalents, investments, pledges and grants receivable, prepaid expenses and other current assets, client funds, accounts payable and accrued expenses, and due to other agencies. For cash and cash equivalents, pledges and grants receivables, accounts payable, accrued expenses and client funds, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity. Pledges and grants receivable that are expected to be paid in more than one year have been discounted using applicable market rates to approximate fair value. Investments are reflected at estimated fair value as described below.

As defined in FASB ASC Topic No. 820, “Fair Value Measurements and Disclosures” (“ASC 820”), fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses the market or income approach. Based on this approach, the Organization utilizes certain assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. As the Organization’s investments are comprised of investments in marketable securities with readily determinable fair values and debt securities, these would generally be classified as Level 1 inputs.

Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date but are other than quoted prices in active markets as in Level 1. Fair value is determined through observable trading activity reported at net asset value or through the use of models or other valuation methodologies. The Organization has no investments classified as Level 2 inputs.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by the Organization. The Organization has no investments classified as Level 3 inputs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments (Continued)
In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

Recently Issued Accounting Pronouncements
The Organization reviews new accounting standards as issued and the potential impact on the financial statements. Although some of these issued accounting standards are effective after the end of the previous fiscal year and may be applicable to the financial statements this year, the Organization has not identified any that it believes merit further discussion. The Organization believes that none of the new standards will have a significant impact on the Organization's financial statements.

NOTE 3 – INVESTMENTS

The Organization's investments consist of funds that have been restricted by donors as endowment funds. The Organization's investments are managed as a single diversified portfolio governed by the Organization's investment policy, which sets asset allocation ranges for marketable and nonmarketable investments. The Organization's investment account is composed of investments in mutual funds, which are readily marketable. All of the Organization's investments are classified under Level 1 of the valuation hierarchy by the Organization's management. Management establishes the fair value of Level 1 investments based on quoted market prices and carrying amounts, which represent a reasonable estimate of fair value.

NOTE 3 – INVESTMENTS (Continued)

Investments are carried at market value and consist of the following at August 31, 2016 and 2015:

	2016	2015
Large-cap stock	$ 1,614,693	$ 1,452,815
Intermediate term bond	1,183,674	1,135,474
International stock	1,255,453	1,127,271
International bond	632,744	607,222
Short term bond	295,890	283,685
Mid-cap stock	142,504	128,445
Small-cap stock	142,495	127,670
Total investments	**$ 5,267,453**	**$ 4,862,582**

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE

Promises to give are scheduled to be realized in the following periods at August 31, 2016 and 2015:

	2016	2015
In less than one year	$ 435,843	$ 289,362
In one to five years	60,000	192,113
In more than five years	-	33,800
Total gross pledges and grants receivable	495,843	515,275
Less present value discount	(317)	(467)
Less allowance for uncollectible accounts	(22,288)	(29,905)
Total pledges and grants receivable, net	**$ 473,238**	**$ 484,903**

At August 31, 2016, $41,729 of the net pledge and grants receivable balance is restricted to endowment. The remaining pledges and grants are for general operations.

Pledges and grants due beyond one year have been discounted at a rate between 0.01% and 5.10%.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2016 and 2015 consist of the following:

	2016	2015
Equipment	$ 739,446	$ 972,885
Law library	281,287	281,287
Leasehold improvements	9,474	5,022
Capital leases for equipment	110,084	110,084
	1,140,291	1,369,278
Less accumulated depreciation, other	(881,832)	(1,015,113)
Less accumulated depreciation, capital leases	(83,513)	(64,700)
Property and equipment, net	**$ 174,946**	**$ 289,465**

Depreciation expense for the year ended August 31, 2016 was $129,461.

There were no donations of property and equipment during fiscal 2016.

NOTE 6 – RETIREMENT BENEFITS

The Organization's employees are eligible to receive benefits under a multiemployer defined-benefit pension plan. The plan is administered by the Jewish Federation Council of Greater Los Angeles ("the plan''). Contributions are determined in accordance with the provisions of the plan. Information with respect to the Organization's proportionate share of the excess, if any, of the actuarial computed value of vested benefits over the total of the pension plan's net assets is not available from the plan's administrator.

The Multi-employer Pension Plan Amendments Act of 1980 (the "Act") significantly increased the pension responsibilities of participating employers. Under the provisions of the Act, if the plan terminates or the Organization withdraws, the Organization could be subject to a substantial withdrawal liability. The Organization has no plans to withdraw from the plan as of August 31, 2016.

NOTE 6 – RETIREMENT BENEFITS (Continued)

The risks to the Organization of participating in this multiemployer pension plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer must be used to provide benefits to employees of other participating employers.

2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

3. If the Organization chooses to stop participating in some of its multiemployer plans, the Organization may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Details of the pension plan are as follows:

Pension Fund Name	EIN/ Pension Plan #	Protection Zone Status		FIP/PP Status Pending/ Imple-mented	Contributions to Plan from the Organization		Surcharge on Contributions	Expiration of Collective Bargaining Agreement
		2016	2015		2016	2015		
Basic Plan of the Jewish Federation Council of Greater Los Angeles	95-1643388/001	Green	Green	Yes	$ 380,549	$ 546,750	No	January 1, 2019

The Organization's contributions to the plan during calendar year 2015 and 2014 were greater than 5% of the total contributions made. The contributions are made pursuant to a collective bargaining agreement ("CBA") expiring on January 1, 2019.

A Form 5500 has been filed for the plan for the annual period ended December 31, 2015.

A defined-contribution plan is also offered to the employees. Included in pension expense is $95,038 of contributions made to the defined-contribution plan and $439,696 pertaining to the multiemployer defined-benefit plan.

NOTE 7 – NOTE PAYABLE

The Organization had a promissory note with outstanding principal balance and interest of $276,891 as of August 31, 2015. The note had an interest rate of at Prime plus .50% per annum and was originally payable in one payment of all outstanding principal plus all accrued interest on February 10, 2017. During the year ended August 31, 2016, the Organization paid the outstanding principal and accrued interest on the note payable, in full.

NOTE 8 – LINE OF CREDIT

The Organization has a line of credit with a maximum loan commitment of $300,000 and an interest rate at Prime (3.50% at August 31, 2016) plus 0.50% per annum. Borrowings on the line are secured by the Organization's business assets. The line of credit expired on February 10, 2017, but was renewed through February 10, 2018. As of August 31, 2016, there was $300,000 available on the line of credit.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Capital Lease Obligations

The Organization has three capital lease obligations in connection with certain property and equipment. The leases require monthly aggregate payments of $2,769, including interest at rates ranging from 0.89% - 7.07%. The maturity dates range from January 2017 to October 2017.

Future minimum lease payments under the capital leases are as follows:

Year Ending August 31,	
2017	$ 29,835
2018	702
Total minimum lease payments	30,537
Less interest	(2,829)
Present value of net minimum capital lease payments	**$ 27,708**

Interest expense incurred during the fiscal year ended August 31, 2016 for these capital leases was $1,180.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Operating Lease

The Organization rents office space under an operating lease. The term of the lease is for 120 months commencing August 24, 2012 and expiring August 24, 2022. Monthly rental payments for the first 12 months are abated, and monthly rental payments for the 18 months after the abatement period are discounted $3,000 per month. Annual increases in rent begin after the fourth anniversary of the lease. In connection with rent discounts and incentives offered, a deferred rent liability in the amount of $515,854 has been recognized and is being amortized against rent expense over the life of the lease. Rent expense in the amount of $414,992 was incurred during fiscal year 2016.

Future minimum lease payments under the above operating lease are as follows:

Year Ending August 31,	
2017	$ 461,659
2018	470,892
2019	480,310
2020	489,916
2021	499,715
Thereafter	466,456
Total	**$ 2,868,948**

Litigation

The Organization, from time to time, is involved in certain legal matters which arise in the normal course of business. Management believes that any resolution of such matters will not have a material adverse effect on the Organization's financial position.

NOTE 10 – NET ASSETS

The Organization has two separate funds: the operating fund and the endowment fund. The net assets of these two funds have been classified as unrestricted, temporarily restricted or permanently restricted based on the existence and type of donor-imposed restrictions. The net assets are classified as follows:

	2016		
	Fund Type		
Net Asset Class	Operating	Endowment	Total
Unrestricted	$ 208,951	$ 832,411	$ 1,041,362
Temporarily restricted	1,314,839	483,015	1,797,854
Permanently restricted	-	3,994,332	3,994,332
Total net assets by fund	**$ 1,523,790**	**$ 5,309,758**	**$ 6,833,548**

	2015		
	Fund Type		
Net Asset Class	Operating	Endowment	Total
Unrestricted	$ (491,848)	$ 523,955	$ 32,107
Temporarily restricted	506,174	445,601	951,775
Permanently restricted	-	3,970,948	3,970,948
Total net assets by fund	**$ 14,326**	**$ 4,940,504**	**$ 4,954,830**

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following as of August 31, 2016:

	Available August 31, 2015	New Revenues, Net	Releases	Available August 31, 2016
Seniors	$ 150,000	$ 422,957	$ 304,868	$ 268,089
Operating and capital	157,012	175,000	91,125	240,887
Housing	12,500	763,116	360,984	414,632
Fellowship	21,667	116,305	92,972	45,000
Other programs	164,995	676,241	495,005	346,231
Endowment fund – Accumulated earnings	445,601	306,380	268,966	483,015
Total	**$ 951,775**	**$ 2,459,999**	**$ 1,613,920**	**$ 1,797,854**

NOTE 12 – ENDOWMENTS

The Organization's endowment funds consist of three separate funds, of which two funds are restricted by donors and one fund is designated by the board of directors. The endowment funds were established for a variety of purposes to benefit the Organization.

Interpretation of Laws and Accounting Guidance
The Organization's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the state of California as requiring the preservation of the fair value of the original gifts 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 gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted instrument endowment fund that is not classified as permanently restricted 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.

NOTE 12 – ENDOWMENTS (Continued)

Interpretation of Laws and Accounting Guidance (Continued)
In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Organization
7. The Organization's investment policies

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's general policy is to diversify investments within both equity and fixed-income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. The Organization believes that a balanced approach to portfolio management is required to reduce volatility and prudently maximize total return for the long term. The Organization recognizes that economic and security market conditions are not constant but ever-changing and, as a result, continuous portfolio adjustments will be required.

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce total returns (net of inflation) in excess of the endowment spend-out rate, thus allowing for real growth of endowment assets while assuming a moderate level of investment risk.

NOTE 12 – ENDOWMENTS (Continued)

Spending Policy and How Investment Objectives Relate to Spending Policy

The Organization has a policy to distribute 5% of the trailing three-year average of the endowment's total invested asset value each year, so long as the endowment corpus continues to exceed $2 million. In establishing this policy, the Organization considered the long-term returns expected on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment asset held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Composition of Endowments and Current Year Activity

The total endowment funds of the Organization amounted to $5,309,758 as of August 31, 2016. This amount is approximately composed as follows:

1. Equity mutual funds	59%
2. Fixed income mutual funds	40%
3. Pledges receivable, net	1%
4. Cash and cash equivalents	0%

The composition of the endowment fund is as follows as of August 31, 2016:

Cash	$ 576
Investments	5,267,453
Pledges receivable, net	41,729
Total	**$ 5,309,758**

NOTE 12 – ENDOWMENTS (Continued)

Funds
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of August 31, 2016.

For the years ended August 31, 2016 and 2015, the Organization's endowment net assets changed as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ 523,955	$ 445,601	$ 3,970,948	$ 4,940,504
Net investment return				
Interest and dividends	33,974	139,147	-	173,121
Realized/unrealized appreciation on investments	40,832	167,233	-	208,065
Total net investment return	74,806	306,380	-	381,186
Contributions	-	-	26,045	26,045
Provision for unfulfilled pledges	-	-	(2,661)	(2,661)
Transfer to endowment	250,000	-	-	250,000
Fees and bank charges	(16,350)	-	-	(16,350)
Appropriation of endowment assets for expenditure	-	(268,966)	-	(268,966)
Balance, end of year	**$ 832,411**	**$ 483,015**	**$ 3,994,332**	**$ 5,309,758**

NOTE 12 – ENDOWMENTS (Continued)

Funds (Continued)

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ 958,478	$ 762,228	$ 3,995,632	$ 5,716,338
Net investment return				
Interest and dividends	31,853	73,967	-	105,820
Realized/unrealized depreciation on investments	(50,303)	(116,809)	-	(167,112)
Total net investment return	(18,450)	(42,842)	-	(61,292)
Contributions	-	-	14,125	14,125
Provision for unfulfilled pledges	-	-	(38,809)	(38,809)
Fees and bank charges	(16,073)	-	-	(16,073)
Transfer from endowment	(400,000)	-	-	(400,000)
Appropriation of endowment assets for expenditure	-	(273,785)	-	(273,785)
Balance, end of year	**$ 523,955**	**$ 445,601**	**$ 3,970,948**	**$ 4,940,504**

NOTE 12 – ENDOWMENTS (Continued)

Funds (Continued)
For the years ended August 31, 2016 and 2015, the Organization's endowment net asset composition by type of fund was as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 832,411	$ -	$ -	$ 832,411
Donor-restricted endowment funds	-	483,015	3,994,332	4,477,347
Total funds	**$ 832,411**	**$ 483,015**	**$ 3,994,332**	**$ 5,309,758**

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 523,955	$ -	$ -	$ 523,955
Donor-restricted endowment funds	-	445,601	3,970,948	4,416,549
Total funds	**$ 523,955**	**$ 445,601**	**$ 3,970,948**	**$ 4,940,504**

NOTE 13 – FEDERAL AND OTHER AWARDS

Support and revenue recognized from federal awards for the years ended August 31, 2016 and 2015 are as follows:

	2016	2015
County LAWS	$ 407,217	$ 355,196
City LAWS	269,281	214,526
Family Caregiver	139,898	135,789
CAL OES	29,986	-
LITC	30,476	-
CSBG	93,594	91,875
Total federal awards	**$ 970,452**	**$ 797,386**

Other awards consist primarily of support and revenue recognized from a grant from Caregiver of $10,852, the City of West Hollywood of $148,098, LAFLA of $17,500 and UNACC Minors of $50,000 for the year ended August 31, 2016.

These awards are paid based on reimbursable costs and performance as defined by each grant. Reimbursements recorded under these grants are subject to audit. Management believes that no material adjustments will result from the subsequent audit of costs reflected in the accompanying financial statements.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

In 2016, the Organization changed its accounting policy for how it accounts for donated pro bono legal services. As the Organization is an intermediary, it is not required to recognize contribution revenue and related expense for pro bono legal services provided to its clients provided that the accounting policy is consistent and preferable. Based on preferability considerations of authoritative support, rationality, practicability, and industry practice, the Organization has deemed the revised policy preferable to the existing policy. In 2015, the Organization recorded pro bono legal service revenue and related expense of $15,104,538.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE (Continued)

Below is the effect on the Organization's statement of financial position and statement of activities as of and for the year ended August 31, 2015:

	As Previously Reported	Restatement Related Adjustment	As Restated
Total assets	**$ 7,027,639**	**$**	**$ 7,027,639**
Total Liabilities	2,072,809		2,072,809
Net assets			
Unrestricted	32,107	-	32,107
Temporality restricted	951,775	-	951,775
Permanently restricted	3,970,948	-	3,970,948
Total Net Assets	**4,954,830**	**-**	**4,954,830**
Total liabilities and net assets	**$ 7,027,639**	**$ -**	**$ 7,027,639**

	As Previously Reported	Restatement Related Adjustment	As Restated
Donated goods and services	$ 17,102,288	$ (15,104,538)	$ 1,997,750
Other revenue and support	6,718,850	-	6,718,850
Total revenue and support	**$ 23,821,138**	**$ (15,104,538)**	**$ 8,716,600**
Program services	22,680,704	(15,104,538)	7,576,166
Supporting services	1,014,448	-	1,014,448
Fundraising	659,944	-	659,944
Total expenses	**$ 24,355,096**	**$ (15,104,538)**	**$ 9,250,558**
Change in net assets	**$ (533,958)**	**$ -**	**$ (533,958)**

NOTE 15 – SUBSEQUENT EVENTS

Management evaluated all activity since balance sheet date and through May 30, 2017, the issue date of the financial statements. The following information is disclosed as required by current accounting guidance.

SUPPLEMENTAL INFORMATION

BET TZEDEK

(A NONPROFIT ORGANIZATION)

SCHEDULE OF UNRESTRICTED SUPPORT AND REVENUE BY PROGRAM WITH GOVERNMENT AWARDS MATCHING REQUIREMENTS

For the Year Ended August 31, 2016

	Federal						Non-federal				
	City LAWS	City Caregivers	County LAWS	CAL OES	LITC	CSBG	West Hollywood	LAFLA	UNACC Minors	Other	Total
Unrestricted revenue and support											
Federal awards	$269,281	$139,898	$407,217	$29,986	$30,476	$93,594	$ -	$ -	$ -	$ -	$ 970,452
Other awards	-	10,852	-	-	-	-	148,098	17,500	50,000	-	226,450
Fundraising events, net	-	-	-	-	-	-	-	-	-	1,733,066	1,733,066
General contributions	-	-	-	-	-	-	-	-	-	1,169,247	1,169,247
Recovery (loss) on fair value pledge	-	-	-	-	-	-	-	-	-	(9,172)	(9,172)
Donated professional services and goods	-	-	-	-	-	-	-	-	-	1,728,627	1,728,627
Jewish Federation Council	-	-	-	-	-	-	-	-	-	343,333	343,333
State bar grant	-	-	-	-	-	-	-	-	-	793,569	793,569
Foundation Gifts	-	-	-	-	-	-	-	-	-	140,600	140,600
Program revenue	-	-	-	-	-	-	-	-	-	18,681	18,681
Court awards	-	-	-	-	-	-	-	-	-	223,321	223,321
Attorney Fees	-	-	-	-	-	-	-	-	-	682,124	682,124
Other income	-	-	-	-	-	-	-	-	-	81,135	81,135
Investment income	-	-	-	-	-	-	-	-	-	34,221	34,221
Realized and unrealized gains on investments	-	-	-	-	-	-	-	-	-	40,832	40,832
Total unrestricted revenue and support	269,281	150,750	407,217	29,986	30,476	93,594	148,098	17,500	50,000	6,979,584	8,176,486
Matching [(1)]	722,434	85,131	282,138	-	-	-	-	-	-	(1,089,703)	-
Total unrestricted revenue and support, including matching	**$ 991,715**	**$ 235,881**	**$ 689,355**	**$ 29,986**	**$ 30,476**	**$ 93,594**	**$ 148,098**	**$ 17,500**	**$ 50,000**	**$ 5,889,881**	**$ 8,176,486**

[(1)] Matching revenue is primarily attributable to in-kind contributions from donated services and other services provided.

The accompanying notes are an integral part of these financials statements.

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Bet Tzedek
Los Angeles, California

We have audited the financial statements of Bet Tzedek (the "Organization") as of and for the year ended August 31, 2016, and have issued our report thereon dated May 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Singer Lewak LLP

May 30, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Bet Tzedek
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Bet Tzedek's (the "Organization") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2016. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended August 31, 2016, and have issued our report thereon dated May 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Singer Lewak LLP

May 30, 2017

BET TZEDEK

(A NONPROFIT ORGANIZATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2016

FEDERAL GRANTOR/ Pass-through Grantor/Program Title	Federal Catalog Number	Agency or Pass-through Number	Contract Period	Contract Amount	Total Expenditures FYE 15-16
U.S. DEPT OF HEALTH & HUMAN SERVICES					
Special Programs for the Aging - Title III, Part B -					
Grants for Supportive Services and Senior Centers					
Passed Thru County of Los Angeles					
(Title III B County Laws)	93.044	TLAP141801	7/1/15 - 6/30/16	$ 275,270	$ 240,462
	93.044	TLAP141801	7/1/16 - 6/30/17	$ 275,270	50,083
					290,545
Passed Thru City of Los Angeles					
(Title III B City Laws)	93.044	119340	7/1/15 - 6/30/16	$ 215,000	176,688
	93.044	119340	7/1/16 - 6/30/17	$ 215,000	36,988
					213,676
Passed Thru City of Los Angeles					
(Title III B City Laws) OTO	93.044	119340	7/1/15 - 6/30/16	$ 55,605	55,605
Total 93.044					559,826
National Family Caregiver Support - Title III, Part E					
Passed Thru County of Los Angeles					
(Title III E County Laws)	93.052	TLA-1014-01	7/1/15 - 6/30/16	$ 76,606	54,962
	93.052	TLA-1014-02	7/1/16 - 6/30/17	$ 76,606	13,261
					68,223
National Family Caregiver Support - Title III, Part E	93.052	TLA-1014-01	7/1/15 - 6/30/16	$ 48,449	48,449
Passed Thru County of Los Angeles					
(Title III E County Laws) OTO					
Passed Thru City of Los Angeles					
(Caregiver)	93.052	119340	7/1/15 - 6/30/16	$ 152,790	119,563
	93.052	119340	7/1/16 - 6/30/17	$ 152,790	20,335
					139,898
Total 93.052					256,570
Passed Thru County of Los Angeles					
(CSBG)	93.569	ISDA-1308LG	7/1/15 - 6/30/16	$ 75,000	45,372
	93.569	ISDA-1308LG	7/1/16 - 12/31/16	$ 42,003	18,256
Total 93.569					63,628
Passed Thru County of Los Angeles			7/1/15 - 6/30/16	$ 29,966	29,966
(CSBG) OTO					
U. S. DEPARTMENT OF JUSTICE					
Califonnia Offices of Emergency Services (CAL OES)					
Passed Thru State of California					
Victim Legal Assistance (XL) Prgoram	16.575	VA GX 0058	7/1/2016 - 6/30/2017	$ 200,000	14,150
Unserved/Underserved Victim Advocacy and Outreach	16.575	VA GX 0058	4/1/2016 - 3/31/2017	$ 175,000	15,836
U.S. DEPARTMENT OF TREASURY					
Internal Revenue Service					
Low Income Taxpayer Clinic (LITC)	21.008	16-LITC0210-01-00	4/1/2016 - 3/31/2017	$ 96,000	30,476
Total federal awards					**$ 970,452**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bet Tzedek (the "Organization") and is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *Uniform Guidance.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. With limited exceptions, the Organization may elect to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – PASS-THROUGH AWARDS

Bet Tzedek receives federal awards from pass-through agencies. The total amount of such pass-through awards is included on the Schedule of Expenditures of Federal Awards.

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	yes	X	none reported
Noncompliance material to financial statements noted?	____	yes	X	no

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified			
Internal control over major programs:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	yes	X	none reported
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	____	yes	X	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	yes	____	no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR YEAR'S FEDERAL AWARDS FINDINGS

There were no audit findings for the year ended August 31, 2015.