



Life Skills Training and Educational Programs, Inc.
Financial Statements
December 31, 2009



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Grant Bennett Associates

A PROFESSIONAL CORPORATION

Board of Directors
Life Skills Training and Educational Programs, Inc.
Fair Oaks, California

INDEPENDENT AUDITORS' REPORT

We have audited the statement of financial position of the Life Skills Training and Educational Programs, Inc. at December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated June 2, 2009, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life Skills Training and Educational Programs, Inc. at December 31, 2009 and the results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

May 10, 2010



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Life Skills Training and Educational Programs, Inc.
Statement of Financial Position
December 31, 2009 and 2008

	2009	2008
ASSETS		
Current Assets:		
Cash	\$ 833,981	\$ 561,897
Accounts Receivable	71,670	42,870
Other Current Assets	<u>17,370</u>	<u>9,900</u>
Total Current Assets	923,021	614,667
Property & Equipment, at Cost,		
Less Accumulated Depreciation of \$64,685 and \$50,005	<u>452,198</u>	<u>457,583</u>
TOTAL ASSETS	\$ 1,375,219	\$ 1,072,250
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 551	\$ 16,421
Accrued Payroll and Payroll Taxes	27,760	26,398
Current Portion Of Long-term Debt	17,839	9,799
Grants Payable	<u>1,013</u>	<u>-</u>
Total Current Liabilities	<u>47,163</u>	<u>52,618</u>
Long Term Liabilities:		
Long-term Debt	<u>177,105</u>	<u>244,932</u>
Total Long Term Liabilities	<u>177,105</u>	<u>244,932</u>
Total Liabilities	<u>224,268</u>	<u>297,550</u>
Net Assets		
Unrestricted		
Available for General Activities	458,152	555,514
Board Designated Endowment	350,000	-
Invested in Property and Equipment	257,254	202,852
Temporarily Restricted	<u>85,545</u>	<u>16,334</u>
Total Net Assets	1,150,951	774,700
TOTAL LIABILITIES AND NET ASSETS	\$ 1,375,219	\$ 1,072,250

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

Life Skills Training and Educational Programs, Inc.
Statement of Activities

	Unrestricted	Temporarily Restricted	Total 2009	Total 2008
Revenues Gains, and other Support:				
Contributions From Individuals	\$ 5,520	\$ 3,119	\$ 8,639	\$ 6,152
Foundation Grants		131,795	131,795	37,768
Corporate Grants	-	5,500	5,500	-
Government Grants	-	5,000	5,000	-
Donated Goods and Services	<u>360,629</u>	<u> </u>	<u>360,629</u>	<u>178,429</u>
Total Public Support	366,149	145,414	511,563	222,349
Other Revenue:				
Social Services Program Fees	2,076,410		2,076,410	1,692,494
Interest Income on Temporary Investments	10,291		10,291	10,638
Other Revenue	855		855	4,363
Assets Released from Restrictions	<u>76,203</u>	<u>(76,203)</u>	<u> </u>	<u> </u>
Total Revenues, Gains, and Other Support	<u>2,529,908</u>	<u>69,211</u>	<u>2,599,119</u>	<u>1,929,844</u>
Expenses:				
Social Services	1,933,394		1,933,394	1,414,676
Management and General	224,774		224,774	182,298
Fundraising	<u>64,700</u>	<u> </u>	<u>64,700</u>	<u>84,290</u>
Total Expense	<u>2,222,868</u>	<u> </u>	<u>2,222,868</u>	<u>1,681,264</u>
Change in Net Assets	307,040	69,211	376,251	248,580
Beginning Net Assets	758,366	16,334	774,700	526,120
Ending Net Assets	\$ 1,065,406	\$ 85,545	\$ 1,150,951	\$ 774,700

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

Life Skills Training and Educational Programs, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2009

	Program Services		Supporting Services			Total Program and Supporting Services	
	Social Services	Total	Management and General	Fundraising	Total	2009 Total	2008 Total
Salaries and Wages	\$ 1,060,176	\$ 1,060,176	\$ 128,412	\$ 44,547	\$ 172,959	\$ 1,233,135	\$ 996,793
Employee Benefits	129,526	129,526	16,028	6,610	22,638	152,164	124,447
Professional Fees	102,513	102,513	28,690	1,047	29,737	132,250	115,246
Supplies	423,076	423,076	5,289	3,140	8,429	431,505	255,435
Telephone	5,688	5,688	1,286	545	1,831	7,519	10,873
Postage and Shipping	1,245	1,245	1,567	434	2,001	3,246	3,371
Occupancy	1,819	1,819	8,782	3,531	12,313	14,132	2,000
Rental and Maintenance of Equipment							1,514
Printing and Publications	2,682	2,682	236	184	420	3,102	2,945
Travel	77,849	77,849	2,385	728	3,113	80,962	79,729
Conferences and Meetings	17,933	17,933	2,016	104	2,120	20,053	11,112
Interest	736	736	12,008	3,250	15,258	15,994	15,933
Insurance	7,387	7,387	1,556	401	1,957	9,344	6,787
Depreciation			14,680		14,680	14,680	9,684
Specific Assistance to Individuals	78,563	78,563				78,563	26,485
Other Nonpersonnel Expenses	24,201	24,201	1,839	179	2,018	26,219	18,910
Total Expenses	\$ 1,933,394	\$ 1,933,394	\$ 224,774	\$ 64,700	\$ 289,474	\$ 2,222,868	\$ 1,681,264

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

Life Skills Training and Educational Programs, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Cash Received from Clients and Others	\$ 2,560,028	\$ 1,897,164
Cash Paid to Employees, Vendors and Others	(2,213,894)	(1,630,235)
Interest Received	10,291	10,638
Interest Paid	<u>(15,258)</u>	<u>(17,121)</u>
Net Cash Flows from Operating Activities	<u>341,167</u>	<u>260,446</u>
Cash Flows from Investing Activities:		
Cash Paid for Building, Equipment and Furnishings	<u>(9,295)</u>	<u>(152,969)</u>
Net Cash Flows from Investing Activities	<u>(9,295)</u>	<u>(152,969)</u>
Cash Flows from Financing Activities:		
Repayments of Long-Term Debt.	<u>(59,788)</u>	<u>(59,567)</u>
Net Cash Flows from Financing Activities	<u>(59,788)</u>	<u>(59,567)</u>
Net Change in Cash	272,084	47,910
Cash at Beginning of Year	561,897	513,987
Cash at End of Year	<u>\$ 833,981</u>	<u>\$ 561,897</u>

**Reconciliation of Excess of Revenue over Expenses to Net Cash
Flows from Operating Activities:**

Excess (Deficit) of Revenue over Expenses	\$ 376,251	\$ 248,580
Adjustments to Reconcile Excess (Deficit) of Revenue over Expenses to Net Cash Flows from Operating Activities:		
Depreciation	14,680	9,684
Changes in Assets and Liabilities:		
Change in Account Receivable	(28,800)	(22,042)
Change in Prepaid Expenses	(7,470)	(4,288)
Change in Accounts Payable	(15,869)	17,611
Change in Accrued Payroll and Payroll Taxes	1,362	-
Change in other Liabilities	<u>1,013</u>	<u>254,732</u>
Net Cash Flows from Operating Activities	<u>\$ 341,167</u>	<u>\$ 504,277</u>
Noncash Financing and Investing Activities		
Assets Purchased by assumption of Debt	\$ -	\$ 314,298

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

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
December 31, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

A. General

Life Skills Training and Educational Programs, Inc., ("LifeSTEPS, Inc.") is a California 501(c)(3) nonprofit public benefit charitable corporation. Since 1996 LifeSTEPS, Inc. has provided social services to low-income seniors, adults and children residing in affordable housing communities. Our multi-service approach includes needs assessment, educational classes, case management services, social activities, and resource development, mediation and tenant advocacy. Our commitment is to provide consistent, professional and caring help to empower low-income communities.

B. Basis for Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

C. Accounts Receivable

Accounts receivable are stated at unpaid balances of monthly invoices to clients based upon contracted terms with those clients. Invoices are due under normal trade terms requiring payment within 30 days from the invoice date.

The Organization considers all accounts receivable to be fully collectible and has established an allowance for doubtful accounts of zero.

D. Equipment

The Organization capitalizes all expenditures in excess of \$1,000 with estimated useful lives greater than one year. Equipment is stated at cost and is depreciated using the straight-line method over their estimated useful lives of the respective assets. Routine repairs and maintenance are expensed as incurred.

E. In-Kind Donations

Contributed in-kind support and donations follow the recommendations of the Financial Accounting Standards Board. The Organization recognizes contributed services at their estimated fair market value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors.

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
December 31, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the entities consider all demand deposit accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

H. Income Taxes:

The organization is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and related California Code sections. As such, no provision for income tax is reflected in the financial statements.

NOTE 2 - CASH AND EQUIVALENTS

Cash and Cash Equivalents are comprised of the following:

	2008	2009
First Republic	\$ 114,685	\$ 446,630
Wells Fargo	25,756	-
Citibank	77,248	15,387
Wells Fargo - Money Market	60,944	-
First Republic - Money Market	101,393	-
Merrill Lynch - CD	253,269	-
Citibank - Money Market	<u>200,686</u>	<u>99,880</u>
	<u>\$ 833,981</u>	<u>\$ 561,897</u>

At various times during the fiscal year, the Organization's cash in bank balances exceeded the Federally insured limits. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

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NOTE 3 - FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820-10-20, "Subsequent Measurement," requires disclosure of investments in equity securities with readily determinable fair values. It establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active

markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10-20 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of 2009:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
CD's/Money Market	\$ 699,147	\$ -	\$ 699,147	\$ -

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NOTE 4 - RELATED ORGANIZATIONS:

LifeSTEPS, Inc. was founded in 1996 by two nonprofit's, Riverside Charitable Corporation ("RCC") and Community Housing Assistance Program ("CHAPA"), both of which are providers of service-enriched, affordable housing. RCC is the sole member of LifeSTEPS, Inc. and as such, RCC retains a direct interest in LifeSTEPS, Inc.'s activities. RCC participation on the Board of LifeSTEPS, Inc. is through one overlapping Board Member.

NOTE 5 - CONCENTRATION OF CREDIT RISK:

The Organization maintains its operating cash account and savings account in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The possibility of loss exists if the financial institution holding excess deposits were to fail.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, 2009 consisted of the following:

Change A Life Foundation	\$	27,790
Chapman Insurance Inc.		452
Northern California		14,109
Bay Area/Fresno/So. Cal		28,696
Seniors In Needs Fund		14,498
<hr/>		
Total	\$	85,545

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
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NOTE 7 - PROPERTY AND EQUIPMENT:

The LifeSTEPS, Inc.'s property and equipment consisted of the following:

	2009	2008
Land	\$ 143,341	\$ 143,341
Building and Improvements	295,977	299,577
Furniture and Equipment	77,565	64,669
	516,883	507,587
Accumulated Depreciation	(64,685)	(50,005)
Total Property and Equipment	\$ 452,198	\$ 457,582

Depreciation and amortization expense for the years ended December 31, 2009 and December 31, 2008 amounted to \$14,680 and \$9,684

NOTE 8 - LOAN AND CAPITAL LEASE PAYABLE:

LifeSTEPS, Inc. was the lessee of office equipment under a capital lease which expires in January 25, 2013. The asset and liability under the capital lease was recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset. The asset is amortized over its estimated productive life. The capitalized cost of the asset was \$17,570. The related accumulated amortization at December 31, 2009 and 2008 was \$5,271 and \$1,757, respectively.

LifeSTEPS obtained a loan during the year ended December 31, 2008 to purchase the building that it utilizes for office space. The loan is payable in 120 monthly installments (currently \$2,009 per month) including fixed interest currently at 6.25%. The remaining unpaid principal balance will be due in March 1, 2018. The loan is collateralized by the building and the assignment of rents.

Loan maturities on the building loan for each of the next five years following December 31, 2009, are as follows:

2010	\$ 12,926	
2011	13,757	
2012	14,462	
2013	15,584	
2014	16,587	
Thereafter	111,700	
	\$ 185,016	