



Life Skills Training and Educational Programs, Inc.
Financial Statements
December 31, 2010



**Life Skills Training and Educational Programs, Inc.
Financial Statements
December 31, 2010**

Contents

INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statement of Functional Expenses.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6

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, 2010, 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 2009 financial statements and, in our report dated May 10, 2010, 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, 2010 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

February 24, 2011



www.gbacpa.com

1375 Exposition Boulevard, Suite 230
Sacramento, CA 95815
Voice 916/922-5109 FAX 916/641-5200

1850 Mt. Diablo Boulevard, Suite 540
Walnut Creek, CA 94596
Voice 925/932-6856 FAX 925/933-5484

Life Skills Training and Educational Programs, Inc.
Statement of Financial Position
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash	\$ 1,181,488	\$ 833,981
Accounts Receivable	35,678	71,670
Other Current Assets	<u>24,054</u>	<u>17,370</u>
Total Current Assets	1,241,220	923,021
Property & Equipment, at Cost, Less Accumulated Depreciation of \$80,294 and \$64,685	<u>436,589</u>	<u>452,198</u>
TOTAL ASSETS	\$ 1,677,809	\$ 1,375,219
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 141	\$ 551
Accrued Payroll and Payroll Taxes	41,181	27,760
Current Portion Of Long-term Debt	18,754	17,839
Grants Payable	<u>-</u>	<u>1,013</u>
Total Current Liabilities	<u>60,076</u>	<u>47,163</u>
Long Term Liabilities:		
Long-term Debt	<u>123,552</u>	<u>177,105</u>
Total Long Term Liabilities	<u>123,552</u>	<u>177,105</u>
Total Liabilities	<u>183,628</u>	<u>224,268</u>
Net Assets		
Unrestricted		
Available for General Activities	598,640	458,152
Board Designated Endowment	450,000	350,000
Invested in Property and Equipment	<u>294,283</u>	<u>257,254</u>
Total Unrestricted Net Assets	<u>1,342,923</u>	<u>1,065,406</u>
Temporarily Restricted	<u>151,258</u>	<u>85,545</u>
Total Net Assets	<u>1,494,181</u>	<u>1,150,951</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,677,809	\$ 1,375,219

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 2010	Total 2009
Revenues Gains, and other Support:				
Contributions From Individuals	\$ 11,449	\$	\$ 11,449	\$ 8,639
Contributions From Corporations	-	11,354	11,354	-
Foundation Grants		82,776	82,776	131,795
Corporate Grants	-	19,250	19,250	5,500
Government Grants	-	-	-	5,000
Donated Goods and Services	<u>765,675</u>	<u> </u>	<u>765,675</u>	<u>360,629</u>
 Total Public Support	 777,124	 113,380	 890,504	 511,563
 Other Revenue:				
Social Services Program Fees	2,715,228		2,715,228	2,076,410
Interest Income on Temporary Investments	7,361		7,361	10,291
 Other Revenue	 323		 323	 855
 Assets Released from Restrictions	 <u>47,667</u>	 <u>(47,667)</u>	 <u> </u>	 <u> </u>
Total Revenues, Gains, and Other Support	<u>3,547,703</u>	<u>65,713</u>	<u>3,613,416</u>	<u>2,599,119</u>
 Expenses:				
Social Services	2,883,793		2,883,793	1,933,394
Management and General	295,845		295,845	224,774
Fundraising	<u>90,548</u>	<u> </u>	<u>90,548</u>	<u>64,700</u>
Total Expense	<u>3,270,186</u>	<u> </u>	<u>3,270,186</u>	<u>2,222,868</u>
Change in Net Assets	277,517	65,713	343,230	376,251
Beginning Net Assets	1,065,406	85,545	1,150,951	774,700
Ending Net Assets	\$ 1,342,923	\$ 151,258	\$ 1,494,181	\$ 1,150,951

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, 2010

	Program Services		Supporting Services			Total Program and Supporting Services	
	Social Services	Total	Management and General	Fundraising	Total	2010 Total	2009 Total
Salaries and Wages	\$ 1,404,052	\$ 1,404,052	\$ 176,999	\$ 69,152	\$ 246,151	\$ 1,650,203	\$ 1,233,135
Employee Benefits	194,680	194,680	22,854	11,093	33,947	227,003	152,164
Professional Fees	111,541	111,541	36,194	2,756	38,950	150,491	132,250
Supplies	879,950	879,950	7,460	708	8,168	888,118	431,505
Telephone	11,481	11,481	1,612	329	1,941	13,422	7,519
Postage and Shipping	3,020	3,020	499		499	3,519	3,246
Occupancy	2,789	2,789	12,961	1,335	14,296	17,085	14,132
Printing and Publications	3,600	3,600	609		609	4,209	3,102
Travel	108,086	108,086	275		275	108,361	80,962
Conferences and Meetings	10,450	10,450	303		303	10,753	20,053
Interest	149	149	9,054	2,845	11,899	12,048	15,994
Insurance	8,860	8,860	2,828	508	3,336	12,196	9,344
Depreciation			15,609		15,609	15,609	14,680
Specific Assistance to Individuals	136,919	136,919				136,919	78,563
Other Nonpersonnel Expenses	8,216	8,216	8,588	1,822	10,410	18,626	26,219
Total Expenses	\$ 2,883,793	\$ 2,883,793	\$ 295,845	\$ 90,548	\$ 386,393	\$ 3,268,562	\$ 2,222,868

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, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities:		
Cash Received from Clients and Others	\$ 3,635,363	\$ 2,560,028
Cash Paid to Employees, Vendors and Others	(3,230,680)	(2,213,894)
Interest Received	7,361	10,291
Interest Paid	<u>(11,899)</u>	<u>(15,258)</u>
Net Cash Flows from Operating Activities	<u>400,145</u>	<u>341,167</u>
Cash Flows from Investing Activities:		
Cash Paid for Building, Equipment and Furnishings	<u>-</u>	<u>(9,295)</u>
Net Cash Flows from Investing Activities	<u>-</u>	<u>(9,295)</u>
Cash Flows from Financing Activities:		
Repayments of Long-Term Debt.	<u>(52,638)</u>	<u>(59,788)</u>
Net Cash Flows from Financing Activities	<u>(52,638)</u>	<u>(59,788)</u>
Net Change in Cash	347,507	272,084
Cash at Beginning of Year	833,981	561,897
Cash at End of Year	<u>\$ 1,181,488</u>	<u>\$ 833,981</u>

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

Excess (Deficit) of Revenue over Expenses	\$ 343,230	\$ 376,251
Adjustments to Reconcile Excess (Deficit) of Revenue over Expenses to Net Cash Flows from Operating Activities:		
Depreciation	15,609	14,680
Changes in Assets and Liabilities:		
Change in Account Receivable	35,992	(28,800)
Change in Prepaid Expenses	(6,684)	(7,470)
Change in Accounts Payable	(410)	(15,869)
Change in Accrued Payroll and Payroll Taxes	13,421	-
Change in other Liabilities	<u>(1,013)</u>	<u>1,013</u>
Net Cash Flows from Operating Activities	<u>\$ 400,145</u>	<u>\$ 339,805</u>

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

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
December 31, 2010

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, 2010

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:

	2010	2009
Central Valley Community Bank-Operating	\$ 226,842	\$ -
Central Valley Community Bank - Money Market	211,618	-
Big Valley Federal	5	-
First Republic	2,494	114,685
Wells Fargo	69,235	25,756
Citibank	7,566	77,248
Wells Fargo - Money Market	81,177	60,944
First Republic - Money Market	104,231	101,393
Merrill Lynch - CD	3	253,269
Citibank - Money Market	-	200,686
American River Bank - Money Market	253,062	-
Big Valley Federal - Money Market	225,255	-
	\$ 1,181,488	\$ 833,981

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.

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 3 - FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 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 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 2010:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
CD's/Money Market	\$ 875,351	\$ -	\$ 875,351	\$ -

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 4 - CONCENTRATION OF CREDIT RISK:

The Organization maintains its operating cash account and savings account in four 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 5 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, 2010 consisted of the following:

Change A Life Foundation	\$	11,925
Client Assistance		95,686
Northern California		11,173
Bay Area		568
Cal Central		7,145
Los Angeles/Southern Cal		570
Desert Region		17,032
Program Specific Support		7,159
<hr/>		
Total	\$	151,258

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 6 - PROPERTY AND EQUIPMENT:

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

	2010	2009
Land	\$ 143,341	\$ 143,341
Building and Improvements	295,977	373,542
Furniture and Equipment	77,565	-
	516,883	516,883
Accumulated Depreciation	(80,294)	(64,685)
Total Property and Equipment	\$ 436,589	\$ 452,198

Depreciation and amortization expense for the years ended December 31, 2010 and December 31, 2009 amounted to \$15,609 and \$9,684

NOTE 7 - 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, 2010 and 2009 was \$8,785 and \$5,271, 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, 2010, are as follows:

2011	\$ 15,975	
2012	17,003	
2013	18,096	
2014	19,260	
2015	20,499	
Thereafter	46,474	
	\$ 137,307	

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 8 - SIGNIFICANT EVENTS:

To demonstrate their commitment to help families, seniors and individuals in crisis LifeSTEPS has committed \$100,000 to the LifeSTEPS Client Assistance Fund. LifeSTEPS provides case management to clients in crisis, education and referrals, but without a reliable safety net, some clients on the brink of homelessness will experience loss of housing. To supplement their fundraising efforts and bring relief to their clients, LifeSTEPS has dedicated these funds to provide emergency assistance to seniors, individuals and families, thus allowing them to maintain housing while looking for a job, recovering from an illness and / or cutting expenses. Funds are distributed with clear mandates that residents consistently work with the LifeSTEPS Director of Social Services to help resolve the issues that got them into the financial hardship to begin with, thereby addressing the root of the problem. Recipients are receiving instruction on how to create and live within a practical household budget, how to manage the resources they have and then how to go about moving forward by creating a savings account or seeking more lucrative employment.

In addition, LifeSTEPS has dedicated \$30,000 to support the efforts of United Outreach of El Dorado County to fight homelessness. LifeSTEPS fights homelessness every day by providing social and supportive services to seniors on fixed incomes and low wage earners living in affordable housing. Unfortunately, at times members of this at risk population are forced into homelessness and experience many hardships, such as poor nutrition, illness, and lack of education for their children. With their years of expertise and under the leadership of LifeSTEPS Executive Director and advocate for the homeless, Beth Southorn, they are uniquely skilled to bring the services and education necessary to this homeless population and help them return to permanent housing better equipped to overcome financial adversities.

NOTE 9 - SUBSEQUENT EVENTS

: LifeSTEPS, Inc. is currently in escrow with the intent to purchase a commercial building located at 4041 Bridge Street, Fair Oaks, CA. The purchase price of the building is \$390,000 with \$200,000 down and a 6% loan on the remaining balance. The purchase of the building is contingent upon completion of all inspections.

After evaluation, the company has determined that there are no other subsequent events through February 24, 2011, the date the financial statements were available to be issued.