



**Life Skills Training and Educational Programs, Inc.
Financial Statements
December 31, 2011**



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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, 2011, 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 2010 financial statements and, in our report dated February 11, 2011, 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, 2011 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 8, 2012



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Life Skills Training and Educational Programs, Inc.
Statement of Financial Position
December 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash	\$ 1,294,173	\$ 1,181,488
Accounts Receivable	52,154	35,678
Other Current Assets	<u>52,498</u>	<u>24,054</u>
Total Current Assets	1,398,825	1,241,220
Property & Equipment, at Cost,		
Less Accumulated Depreciation of \$111,434 and \$80,294	<u>852,488</u>	<u>436,589</u>
TOTAL ASSETS	\$ 2,251,313	\$ 1,677,809
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 31,189	\$ 41,322
Current Portion Of Long-term Debt	6,421	18,754
Unearned Rental Income	1,700	
Rental Deposits	<u>3,400</u>	<u> </u>
Total Current Liabilities	<u>42,710</u>	<u>60,076</u>
Long Term Liabilities:		
Long-term Debt	<u>187,652</u>	<u>123,552</u>
Total Long Term Liabilities	<u>187,652</u>	<u>123,552</u>
Total Liabilities	<u>230,362</u>	<u>183,628</u>
Net Assets:		
Unrestricted:		
Available for General Activities	763,692	598,640
Board Designated Endowment	350,000	450,000
Invested in Property and Equipment	<u>658,415</u>	<u>294,283</u>
Total Unrestricted Net Assets	1,772,107	1,342,923
Temporarily Restricted	<u>248,844</u>	<u>151,258</u>
Total Net Assets	2,020,951	1,494,181
TOTAL LIABILITIES AND NET ASSETS	\$ 2,251,313	\$ 1,677,809

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

Life Skills Training and Educational Programs, Inc.
Statement of Activities
For the Years Ended December 31, 2011 and 2010

	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
Revenues, Gains, and Other Support:				
Contributions From Individuals	\$ 29,631	\$ 114,887	\$ 144,518	\$ 11,449
Foundation Grants		153,455	153,455	82,776
Corporate Grants and Contributions		24,500	24,500	30,604
Donated Goods and Services	<u>926,253</u>	<u> </u>	<u>926,253</u>	<u>765,675</u>
Total Public Support	955,884	292,842	1,248,726	890,504
Other Revenue:				
Social Services Program Fees	3,363,320		3,363,320	2,715,228
Interest Income on Temporary Investments	6,088		6,088	7,361
Net Rental Income	2,929		2,929	
Other Revenue	1,465		1,465	323
Net Assets Released from Restrictions	<u>195,256</u>	<u>(195,256)</u>	<u> </u>	<u> </u>
Total Revenues, Gains, and Other Support	<u>4,524,942</u>	<u>97,586</u>	<u>4,622,528</u>	<u>3,613,416</u>
Expenses:				
Social Services	3,576,750		3,576,750	2,883,793
Management and General	381,496		381,496	295,845
Fundraising	<u>137,512</u>	<u> </u>	<u>137,512</u>	<u>90,548</u>
Total Expense	<u>4,095,758</u>	<u> </u>	<u>4,095,758</u>	<u>3,270,186</u>
Change in Net Assets	429,184	97,586	526,770	343,230
Beginning Net Assets	1,342,923	151,258	1,494,181	1,150,951
Ending Net Assets	\$ 1,772,107	\$ 248,844	\$ 2,020,951	\$ 1,494,181

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, 2011

	Program Services		Supporting Services			Total Program and Supporting Services	
	Social Services	Total	Management and General	Fundraising	Total	2011 Total	2010 Total
Salaries and Wages	\$ 1,774,837	\$ 1,774,837	\$ 211,812	\$ 107,181	\$ 318,993	\$ 2,093,830	\$ 1,650,203
Employee Benefits	218,997	218,997	39,244	17,944	57,188	276,184	228,627
Staff Development	16,673	16,673	7,254	345	7,599	24,272	
Professional Fees	111,066	111,066	31,932	4,100	36,032	147,098	150,491
Supplies	1,053,986	1,053,986	7,495	1,071	8,566	1,062,552	888,118
Communications	15,233	15,233	3,587	218	3,805	19,038	13,422
Postage and Shipping	3,988	3,988				3,988	3,519
Occupancy	2,599	2,599	33,281	2,379	35,660	38,259	17,085
IT Services and Equipment	3,541	3,541	6,644	288	6,932	10,474	
Printing and Publications	6,733	6,733	372	268	640	7,373	4,209
Travel	121,093	121,093	280	227	507	121,600	108,361
Conferences and Meetings	15,442	15,442	830	10	840	16,283	10,753
Interest	532	532	1,073		1,073	1,605	12,048
Insurance	5,583	5,583	6,444	238	6,682	12,265	12,196
Depreciation	7,927	7,927	23,213		23,213	31,140	15,609
Specific Assistance to Individuals	207,096	207,096				207,096	136,919
Other Nonpersonnel Expenses	11,424	11,424	8,035	3,243	11,278	22,701	18,626
Total Expenses	\$ 3,576,750	\$ 3,576,750	\$ 381,496	\$ 137,512	\$ 519,008	\$ 4,095,758	\$ 3,270,186

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, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Cash Received from Clients and Others	\$ 3,695,287	\$ 3,635,363
Cash Paid to Employees, Vendors and Others	(3,176,295)	(3,230,680)
Interest Received	6,088	7,361
Interest Paid	<u>(17,123)</u>	<u>(11,899)</u>
Net Cash Flows from Operating Activities	<u>507,957</u>	<u>400,145</u>
Cash Flows from Investing Activities:		
Cash Paid for Building, Equipment and Furnishings	<u>(256,176)</u>	<u> </u>
Net Cash Flows from Investing Activities	<u>(256,176)</u>	<u> </u>
Cash Flows from Financing Activities:		
Repayments of Long-Term Debt	<u>(139,096)</u>	<u>(52,638)</u>
Net Cash Flows from Financing Activities	<u>(139,096)</u>	<u>(52,638)</u>
Net Change in Cash	112,685	347,507
Cash at Beginning of Year	1,181,488	833,981
Cash at End of Year	<u>\$ 1,294,173</u>	<u>\$ 1,181,488</u>

**Reconciliation of Change in Net Assets to Net Cash
Flows from Operating Activities**

Change in Net Assets	\$ 526,770	\$ 343,230
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	31,140	15,609
Changes in Assets and Liabilities:		
Change in Account Receivable	(16,476)	35,992
Change in Other Current Assets	(28,444)	(6,684)
Change in Accounts Payable	(141)	(410)
Change in Accrued Payroll and Payroll Taxes	(9,992)	13,421
Change in Other Liabilities	<u>5,100</u>	<u>(1,013)</u>
Net Cash Flows from Operating Activities	<u>\$ 507,957</u>	<u>\$ 400,145</u>
Assets Purchased by Assumption of Debt	<u>\$ 190,000</u>	<u>\$</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, 2011

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, 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. Property and Equipment

The Organization capitalizes all expenditures in excess of \$2,500 with estimated useful lives greater than one year. Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets which range from two to thirty-nine years. 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, 2011

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 the 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 organization considers 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.

I. Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform with current year presentation.

NOTE 2 - CASH AND EQUIVALENTS:

Cash and Cash Equivalents are comprised of the following:

	2011	2010
Central Valley Community Bank-Operating	\$ 289,106	\$ 226,842
Central Valley Community Bank - Money Market	262,603	211,618
Big Valley Federal	5	5
First Republic		2,494
Wells Fargo	167,437	69,235
Citibank	11,829	7,566
Wells Fargo - Money Market	81,407	81,177
First Republic - Money Market		104,231
Merrill Lynch	3	3
American River Bank - Money Market	255,478	253,062
Big Valley Federal - Money Market	226,305	225,255
	\$ 1,294,173	\$ 1,181,488

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 principles generally accepted in the United States of America (GAAP) establishes a framework for measuring fair value based on observable and unobservable data. 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 GAAP are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 December 31, 2011:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
CD's/Money Market	\$ 825,802	\$ 825,802	\$	\$

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December 31, 2011

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued):

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2010:

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

NOTE 4 - PROPERTY AND EQUIPMENT:

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

	2011	2010
Land	\$ 297,127	\$ 143,341
Building and Improvements	563,491	295,977
Furniture and Equipment	81,117	77,565
IT Equipment/Software in Progress	<u>22,186</u>	<u> </u>
	963,921	516,883
Accumulated Depreciation	<u>(111,434)</u>	<u>(80,294)</u>
Total Property and Equipment	<u>\$ 852,487</u>	<u>\$ 436,589</u>

Depreciation and amortization expense for the years ended December 31, 2011 and December 31, 2010 amounted to \$31,140 and \$15,609, respectively.

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
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NOTE 5 - LOAN AND CAPITAL LEASE PAYABLE:

LifeSTEPS, Inc. is the lessee of office equipment under a capital lease which expires in January 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, 2011 and 2010 was \$8,785 and \$5,271, respectively.

LifeSTEPS obtained a loan during the year ended December 31, 2011 to purchase the building that it utilizes for office space. The loan is payable in 60 monthly installments (currently \$1,145 per month) including fixed interest at 6.00%. The remaining unpaid principal balance will be due in March 2016. The loan is collateralized by the building and the assignment of rents.

Loan and capital lease maturities for each of the next five years following December 31, 2011, are as follows:

2012		\$	6,421	
2013			4,280	
2014			3,177	
2015			3,008	
2016			177,187	
			\$	194,073

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, 2011 and 2010 were designated as follows:

	2011		2010
Change A Life Foundation	\$ 10,197	\$	11,925
Client Assistance	191,576		95,686
Northern California	11,079		11,173
Bay Area	4,103		568
Cal Central	23,278		7,145
Los Angeles/Southern Cal	2,270		570
Desert Region	6,341		17,032
Program Specific Support			7,159
Total	\$ 248,844	\$	151,258

Life Skills Training and Educational Programs, Inc.
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NOTE 7 - LEASING INCOME:

LifeSTEPS, Inc. is the lessor of the property owned at 8014 Sacramento Street, Fair Oaks, CA and entered into a leasing agreement that commenced August 2011 and ends February 2013. Future lease revenue for the years following December 31, 2011 are as follows:

2012	\$	20,400
2013		3,400
	\$	23,800

NOTE 8 - SIGNIFICANT EVENTS:

LifeSTEPS, Inc. has dedicated \$50,000 per board approval, to support the efforts of United Outreach of El Dorado County to fight homelessness. LifeSTEPS, Inc. 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, Inc. 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:

Events subsequent to December 31, 2011 have been evaluated through May 8, 2012, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no additional subsequent events to be disclosed.