



**Life Skills Training and Educational Programs, Inc.**  
**Financial Statements**  
**December 31, 2012**





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# Grant Bennett Associates

A PROFESSIONAL CORPORATION

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Life Skills Training and Educational Programs, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Life Skills Training and Educational Programs, Inc. as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

We have previously audited Life Skills Training and Educational Programs, Inc.'s 2011 financial statements, and our report dated May 8, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Grant Bennett Associates*

GRANT BENNETT ASSOCIATES  
A PROFESSIONAL CORPORATION  
Certified Public Accountants

Sacramento, California  
June 21, 2013



www.gbacpa.com

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

2440 Camino Ramon, Suite 160  
San Ramon, CA 94583  
Voice 925/867-4471 FAX 925/866-7098

**Life Skills Training and Educational Programs, Inc.**  
**Statements of Financial Position**  
**December 31, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 816,612	\$ 1,294,173
Accounts Receivable	166,008	52,154
Other Current Assets	<u>37,639</u>	<u>52,498</u>
Total Current Assets	1,020,259	1,398,825
Property & Equipment, at Cost, Less Accumulated Depreciation of \$151,725 and \$111,434	812,197	852,488
Other Assets:		
Cash Designated for Endowment	900,000	
<b>TOTAL ASSETS</b>	<b>\$ 2,732,456</b>	<b>\$ 2,251,313</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 46,586	\$ 31,189
Current Portion Of Long-term Debt	10,208	6,421
Unearned Rental Income		1,700
Rental Deposits	<u>3,400</u>	<u>3,400</u>
Total Current Liabilities	<u>60,194</u>	<u>42,710</u>
Long Term Liabilities:		
Long-term Debt	<u>73,568</u>	<u>187,652</u>
Total Long Term Liabilities	<u>73,568</u>	<u>187,652</u>
Total Liabilities	<u>133,762</u>	<u>230,362</u>
Net Assets:		
Unrestricted:		
Available for General Activities	1,150,710	763,692
Board Designated Endowment	350,000	350,000
Invested in Property and Equipment	<u>728,421</u>	<u>658,415</u>
Total Unrestricted Net Assets	2,229,131	1,772,107
Temporarily Restricted	<u>369,563</u>	<u>248,844</u>
Total Net Assets	2,598,694	2,020,951
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,732,456</b>	<b>\$ 2,251,313</b>

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

**Life Skills Training and Educational Programs, Inc.**  
**Statements of Activities**  
**For the Year Ended December 31, 2012 with Comparative Totals as of December 31, 2011**

	Unrestricted	Temporarily Restricted	Total 2012	Total 2011
<b>Revenues, Gains, and Other Support:</b>				
Contributions From Individuals	\$	\$ 129,946	\$ 129,946	\$ 144,518
Foundation Grants	34,187	196,688	230,875	153,455
Corporate Grants and Contributions		125,100	125,100	24,500
Donated Goods and Services	<u>1,280,907</u>	<u>          </u>	<u>1,280,907</u>	<u>926,253</u>
 Total Public Support	 1,315,094	 451,734	 1,766,828	 1,248,726
 Other Revenue:				
Social Services Program Fees	3,930,497		3,930,497	3,363,320
Interest Income on Temporary Investments	1,573	1,410	2,983	6,088
Net Rental Income	17,495		17,495	2,929
Other Revenue	5,593		5,593	1,465
 Net Assets Released from Restrictions	 <u>332,425</u>	 <u>(332,425)</u>	 <u>          </u>	 <u>          </u>
<b>Total Revenues, Gains, and Other Support</b>	<b><u>5,602,677</u></b>	<b><u>120,719</u></b>	<b><u>5,723,396</u></b>	<b><u>4,622,528</u></b>
 <b>Expenses:</b>				
Social Services	4,552,009		4,552,009	3,576,750
Management and General	441,220		441,220	381,496
Fundraising	<u>152,424</u>	<u>          </u>	<u>152,424</u>	<u>137,512</u>
<b>Total Expense</b>	<b><u>5,145,653</u></b>	<b><u>          </u></b>	<b><u>5,145,653</u></b>	<b><u>4,095,758</u></b>
<b>Change in Net Assets</b>	<b>457,024</b>	<b>120,719</b>	<b>577,743</b>	<b>526,770</b>
<b>Beginning Net Assets</b>	<b>1,772,107</b>	<b>248,844</b>	<b>2,020,951</b>	<b>1,494,181</b>
<b>Ending Net Assets</b>	<b>\$ 2,229,131</b>	<b>\$ 369,563</b>	<b>\$ 2,598,694</b>	<b>\$ 2,020,951</b>

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

**Life Skills Training and Educational Programs, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended December 31, 2012 with Comparative Totals as of December 31, 2011**

	Program Services		Supporting Services			Total Program and Supporting Services	
	Social Services	Total	Management and General	Fundraising	Total	2012 Total	2011 Total
Salaries and Wages	\$ 2,138,789	\$ 2,138,789	\$ 264,357	\$ 117,356	\$ 381,713	\$ 2,520,502	\$ 2,093,830
Employee Benefits	269,678	269,678	38,819	22,273	61,092	330,770	276,184
Staff Development	25,029	25,029	145		145	25,174	24,272
Professional Fees	172,849	172,849	39,618	9,050	48,668	221,517	147,098
Supplies	1,392,736	1,392,736	2,955	803	3,758	1,396,494	1,062,552
Communications	18,383	18,383	7,004	113	7,117	25,500	19,038
Postage and Shipping	4,077	4,077	58	277	335	4,412	3,988
Occupancy			18,042		18,042	18,042	38,259
IT Services and Equipment	5,408	5,408	8,342	504	8,846	14,254	10,474
Printing and Publications	2,861	2,861	52	1,048	1,100	3,961	7,373
Travel	137,868	137,868				137,868	121,600
Conferences and Meetings	25,893	25,893	873		873	26,766	16,283
Interest			7,671		7,671	7,671	1,605
Insurance	4,213	4,213	2,621		2,621	6,834	12,265
Depreciation			40,291		40,291	40,291	31,140
Specific Assistance to Individuals	341,229	341,229				341,229	207,096
Other Nonpersonnel Expenses	12,996	12,996	10,372	1,000	11,372	24,368	22,701
<b>Total Expenses</b>	<b>\$ 4,552,009</b>	<b>\$ 4,552,009</b>	<b>\$ 441,220</b>	<b>\$ 152,424</b>	<b>\$ 593,644</b>	<b>\$ 5,145,653</b>	<b>\$ 4,095,758</b>

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

**Life Skills Training and Educational Programs, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2012 and 2011**

	2012	2011
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Clients and Others	\$ 4,437,805	\$ 3,695,287
Cash Paid to Employees, Vendors and Others	(3,900,381)	(3,176,295)
Interest Received	2,983	6,088
Interest Paid	<u>(7,671)</u>	<u>(17,123)</u>
Net Cash Flows from Operating Activities	<u>532,736</u>	<u>507,957</u>
<b>Cash Flows from Investing Activities:</b>		
Cash Paid for Building, Equipment and Furnishings		(256,176)
Establishment of Endowment Fund	<u>(900,000)</u>	<u></u>
Net Cash Flows from Investing Activities	<u>(900,000)</u>	<u>(256,176)</u>
<b>Cash Flows from Financing Activities:</b>		
Repayments of Long-Term Debt	<u>(110,297)</u>	<u>(139,096)</u>
Net Cash Flows from Financing Activities	<u>(110,297)</u>	<u>(139,096)</u>
Net Change in Cash	(477,561)	112,685
Cash at Beginning of Year	1,294,173	1,181,488
Cash at End of Year	<u>\$ 816,612</u>	<u>\$ 1,294,173</u>

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

Change in Net Assets	\$ 577,743	\$ 526,770
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	40,291	31,140
Changes in Assets and Liabilities:		
Change in Accounts Receivable	(113,854)	(16,476)
Change in Other Current Assets	14,859	(28,444)
Change in Accounts Payable	15,397	(141)
Change in Accrued Payroll and Payroll Taxes		(9,992)
Change in Other Liabilities	<u>(1,700)</u>	<u>5,100</u>
Net Cash Flows from Operating Activities	<u>\$ 532,736</u>	<u>\$ 507,957</u>
Noncash Financing and Investing Activities		
Assets Purchased by Assumption of Debt	\$	\$ 190,000

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

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

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**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. In-kind contributions for the years ended December 31, 2012 and December 31, 2011 amounted to \$1,280,907 and \$926,253, respectively.

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.

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued):**

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.

The organization evaluates uncertain tax positions through its review of the sources of income to identify unrelated business income and certain other matters, including those which may affect its tax exempt status. The effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2012 and 2011, the organization had no uncertain tax positions requiring accrual. The organization's returns are subject to examination by federal and state taxing authorities, generally for three years after they are filed. There are currently no examinations being conducted of any of the organization's previously filed income tax returns.

I. Reclassifications:

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

J. Summarized Comparative Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 2 - CASH AND EQUIVALENTS:**

Cash and Cash Equivalents are comprised of the following:

	2012	2011
Central Valley Community Bank-Operating	\$ 551,765	\$ 289,106
Central Valley Community Bank - Money Market	348,226	262,603
Wells Fargo	238,001	167,437
Citibank	13,092	11,829
Wells Fargo - Money Market	81,562	81,407
Merrill Lynch		3
American River Bank - Money Market	256,974	255,478
Big Valley Federal - Money Market	<u>226,992</u>	<u>226,310</u>
	1,716,612	1,294,173
Less: Funds Designated to Endowment	(900,000)	
	<u>\$ 816,612</u>	<u>\$ 1,294,173</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.

**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.

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 3 - FAIR VALUE MEASUREMENTS (Continued):**

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, 2012:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
CD's/Money Market	\$ 913,753	\$ 913,753	\$	\$

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	\$	\$

**NOTE 4 - PROPERTY AND EQUIPMENT:**

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

	2012	2011
Land	\$ 297,127	\$ 297,127
Building and Improvements	563,492	563,492
Furniture and Equipment	81,117	81,117
IT Equipment/Software in Progress	<u>22,186</u>	<u>22,186</u>
	963,922	963,922
Accumulated Depreciation	<u>(151,725)</u>	<u>(111,434)</u>
<b>Total Property and Equipment</b>	<b>\$ 812,197</b>	<b>\$ 852,488</b>

Depreciation and amortization expense for the years ended December 31, 2012 and December 31, 2011 amounted to \$40,291 and \$31,140, respectively.

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**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 were 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, 2012 and 2011 was \$15,813 and \$12,298, 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, December 31, 2012, are as follows:

2013		\$	10,208
2014			10,094
2015			10,290
2016			53,184
			\$ 83,776

**NOTE 6 - PROFIT SHARING PLAN:**

The Company has established a 401(K) profit sharing plan which is open to all eligible employees. Under the terms of the plan the Company matches 25% of the participant's deferral, up to the first 4% of wages deferred by the participant. Contributions made by the Company, and the earnings thereon, are subject to specific vesting requirements based on the employee's age and number of years of service. Plan contributions for the year ended December 31, 2012 and 2011 were \$3,731 and \$0, respectively.

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets as of December 31, 2012 and 2011 were designated as follows:

	2012	2011
Change A Life Foundation	\$ 56,629	\$ 10,197
Client Assistance	239,525	191,576
Northern California	5,618	11,079
Bay Area	2,107	4,103
Cal Central	11,471	23,278
Los Angeles/Southern Cal	1,170	2,270
Desert Region	3,043	6,341
Weingart Foundation	50,000	
Total	\$ 369,563	\$ 248,844

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 8 - 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, 2012 are as follows:

2013	\$	3,400
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**NOTE 9 - SIGNIFICANT EVENTS:**

LifeSTEPS, Inc. has dedicated \$45,833 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 10 - SUBSEQUENT EVENTS:**

In September 2012, LifeSTEPS' Board of Directors approved the establishment of a Board Designated Endowment Fund. The Board's goals in creating the Endowment are to maintain organizational stability. In March 2013, LifeSTEPS transferred \$900,000 to a custodial account with Merrill Lynch to establish the Endowment.

LifeSTEPS evaluated its December 31, 2012 financial statements for subsequent events through June 21, 2013, the date the financial statements were available to be issued. LifeSTEPS is not aware of any other subsequent events which would require recording or disclosure in the financial statements.