



**Life Skills Training and Educational Programs, Inc.  
Financial Statements  
December 31, 2015**





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Financial Statements  
December 31, 2015**

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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, 2015, 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, 2015, 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.

### Other Matters

We have previously audited Life Skills Training and Educational Programs, Inc.'s 2014 financial statements, and our report dated May 18, 2015, 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, 2014, 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  
August 16, 2016



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**Life Skills Training and Educational Programs, Inc.**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Current Assets:  |                     |                     |
| Cash   | \$ 2,594,881        | \$ 1,947,503        |
| Accounts Receivable  | 226,041             | 176,491             |
| Other Current Assets   | <u>69,193</u>       | <u>34,190</u>       |
| Total Current Assets   | 2,890,115           | 2,158,184           |
| Property & Equipment, at Cost,<br>Less Accumulated Depreciation of \$243,379 and \$214,095 | 765,055             | 794,339             |
| Other Assets:  |                     |                     |
| Long Term Investments  | 931,131             | 882,759             |
| <b>TOTAL ASSETS</b>  | <b>\$ 4,586,301</b> | <b>\$ 3,835,282</b> |
| <b>LIABILITIES AND NET ASSETS</b>  |                     |                     |
| Current Liabilities:   |                     |                     |
| Accounts Payable and Other Accrued Expenses  | \$ 105,058          | \$ 79,611           |
| Current Portion Of Long-term Debt  | <u>909</u>          | <u>5,130</u>        |
| Total Current Liabilities  | <u>105,967</u>      | <u>84,741</u>       |
| Long Term Liabilities:   |                     |                     |
| Long-term Debt   | <u>7,646</u>        | <u>8,555</u>        |
| Total Long Term Liabilities  | <u>7,646</u>        | <u>8,555</u>        |
| Total Liabilities  | <u>113,613</u>      | <u>93,296</u>       |
| Net Assets:  |                     |                     |
| Unrestricted:  |                     |                     |
| Reserves   | 1,826,280           | 1,384,833           |
| Board Designated Endowment   | 1,360,366           | 1,124,797           |
| Invested in Property and Equipment   | <u>756,500</u>      | <u>780,654</u>      |
| Total Unrestricted Net Assets  | 3,943,146           | 3,290,284           |
| Temporarily Restricted   | <u>529,542</u>      | <u>451,702</u>      |
| Total Net Assets   | <u>4,472,688</u>    | <u>3,741,986</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b>\$ 4,586,301</b> | <b>\$ 3,835,282</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, 2015 with Comparative Totals as of December 31, 2014**

|  | Unrestricted            | Temporarily<br>Restricted | Total<br>2015           | Total<br>2014           |
|--|-------------------------|---------------------------|-------------------------|-------------------------|
| <b>Revenues, Gains, and Other Support:</b>         |                         |                           |                         |                         |
| Social Services Program Fees                       | \$ 5,883,310            | \$                        | \$ 5,883,310            | \$ 5,269,433            |
| Contributions From Individuals                     |                         | 46,489                    | 46,489                  | 50,186                  |
| Foundation Grants                                  |                         | 108,075                   | 108,075                 | 68,494                  |
| Corporate Grants and Contributions                 | 366,544                 | 315,764                   | 682,308                 | 481,959                 |
| Tenant Based Assistance                            | 67,678                  |                           | 67,678                  | 512,366                 |
| Donated Goods and Services                         | <u>216,434</u>          | <u>          </u>         | <u>216,434</u>          | <u>286,436</u>          |
| <br>Total Social Services Fees &<br>Public Support | <br>6,533,966           | <br>470,328               | <br>7,004,294           | <br>6,668,874           |
| <br>Other Revenue:                                 |                         |                           |                         |                         |
| Investment Income, Net                             | (5,976)                 | 169                       | (5,807)                 | 35,084                  |
| <br>Other Revenue                                  | <br>2,850               | <br>500                   | <br>3,350               | <br>19,009              |
| <br>Net Assets Released from Restrictions          | <br><u>393,157</u>      | <br><u>(393,157)</u>      | <br><u>          </u>   | <br><u>          </u>   |
| <b>Total Revenues, Gains, and Other Support</b>    | <b><u>6,923,997</u></b> | <b><u>77,840</u></b>      | <b><u>7,001,837</u></b> | <b><u>6,722,967</u></b> |
| <b>Expenses:</b>                                   |                         |                           |                         |                         |
| Social Services                                    | 5,338,928               |                           | 5,338,928               | 5,329,984               |
| Management and General                             | 779,727                 |                           | 779,727                 | 655,177                 |
| Fundraising  | <u>152,480</u>          | <u>          </u>         | <u>152,480</u>          | <u>153,754</u>          |
| <b>Total Expense</b>                               | <b><u>6,271,135</u></b> | <b><u>          </u></b>  | <b><u>6,271,135</u></b> | <b><u>6,138,915</u></b> |
| <b>Change in Net Assets</b>                        | <b>652,862</b>          | <b>77,840</b>             | <b>730,702</b>          | <b>584,052</b>          |
| <b>Beginning Net Assets</b>                        | <b>3,290,284</b>        | <b>451,702</b>            | <b>3,741,986</b>        | <b>3,157,934</b>        |
| <b>Ending Net Assets</b>                           | <b>\$ 3,943,146</b>     | <b>\$ 529,542</b>         | <b>\$ 4,472,688</b>     | <b>\$ 3,741,986</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, 2015 with Comparative Totals as of December 31, 2014**

|                                    | Program Services    |                     | Supporting Services    |                   |                   | Total Program and Supporting Services |                     |
|------------------------------------|---------------------|---------------------|------------------------|-------------------|-------------------|---------------------------------------|---------------------|
|                                    | Social Services     | Total               | Management and General | Fundraising       | Total             | 2015 Total                            | 2014 Total          |
| Salaries and Wages                 | \$ 3,420,874        | \$ 3,420,874        | \$ 604,472             | \$ 120,323        | \$ 724,795        | \$ 4,145,669                          | \$ 3,658,858        |
| Employee Benefits                  | 542,862             | 542,862             | 46,382                 | 15,560            | 61,942            | 604,804                               | 561,664             |
| Staff Development                  | 29,045              | 29,045              | 6,013                  |                   | 6,013             | 35,058                                | 25,179              |
| Professional Fees                  | 132,993             | 132,993             | 38,187                 | 1,513             | 39,700            | 172,693                               | 180,011             |
| Supplies                           | 455,676             | 455,676             | 6,976                  | 3,017             | 9,993             | 465,669                               | 508,741             |
| Communications                     | 20,477              | 20,477              | 3,252                  |                   | 3,252             | 23,729                                | 24,282              |
| Postage and Shipping               | 4,811               | 4,811               | 8                      | 744               | 752               | 5,563                                 | 5,404               |
| Occupancy                          |                     |                     | 26,676                 |                   | 26,676            | 26,676                                | 29,269              |
| IT Services and Equipment          | 49,458              | 49,458              | 7,536                  | 897               | 8,433             | 57,891                                | 39,987              |
| Printing and Publications          | 7,141               | 7,141               | 473                    | 2,619             | 3,092             | 10,233                                | 8,492               |
| Travel                             | 131,464             | 131,464             | 327                    | 3,285             | 3,612             | 135,076                               | 142,527             |
| Conferences and Meetings           | 26,684              | 26,684              | 290                    | 978               | 1,268             | 27,952                                | 25,181              |
| Insurance                          | 22,759              | 22,759              |                        |                   |                   | 22,759                                | 13,911              |
| Depreciation                       |                     |                     | 29,290                 |                   | 29,290            | 29,290                                | 30,811              |
| Specific Assistance to Individuals | 457,320             | 457,320             |                        |                   |                   | 457,320                               | 854,520             |
| Other Nonpersonnel Expenses        | 37,364              | 37,364              | 9,845                  | 3,544             | 13,389            | 50,753                                | 30,078              |
| <b>Total Expenses</b>              | <b>\$ 5,338,928</b> | <b>\$ 5,338,928</b> | <b>\$ 779,727</b>      | <b>\$ 152,480</b> | <b>\$ 932,207</b> | <b>\$ 6,271,135</b>                   | <b>\$ 6,138,915</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, 2015 and 2014**

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities:             |                     |                     |
| Cash Received from Clients and Others             | \$ 6,958,094        | \$ 6,632,283        |
| Cash Paid to Employees, Vendors and Others        | (6,251,401)         | (6,122,242)         |
| Interest and Dividends Received                   | <u>9,590</u>        | <u>6,657</u>        |
| Net Cash Flows from Operating Activities          | <u>716,283</u>      | <u>516,698</u>      |
| Cash Flows from Investing Activities:             |                     |                     |
| Net Investments                                   | (63,775)            | 39,166              |
| Cash Paid for Building, Equipment and Furnishings | <u>(63,775)</u>     | <u>(8,361)</u>      |
| Net Cash Flows from Investing Activities          | <u>(63,775)</u>     | <u>30,805</u>       |
| Cash Flows from Financing Activities:             |                     |                     |
| Repayments of Long-Term Debt                      | <u>(5,130)</u>      | <u>(4,990)</u>      |
| Net Cash Flows from Financing Activities          | <u>(5,130)</u>      | <u>(4,990)</u>      |
| Net Change in Cash                                | 647,378             | 542,513             |
| Cash at Beginning of Year                         | 1,947,503           | 1,404,990           |
| Cash at End of Year                               | <u>\$ 2,594,881</u> | <u>\$ 1,947,503</u> |

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

|   |                   |                   |
|---|-------------------|-------------------|
| Change in Net Assets  | \$ 730,702        | \$ 584,052        |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Flows from Operating Activities: |                   |                   |
| Depreciation  | 29,290            | 30,811            |
| Unrealized (Gain)Loss on Investment   | 15,397            | (28,427)          |
| Changes in Assets and Liabilities:  |                   |                   |
| Change in Accounts Receivable   | (49,550)          | (55,600)          |
| Change in Other Current Assets  | (35,003)          | 20,444            |
| Change in Accrued Payroll and Payroll Taxes   | <u>25,447</u>     | <u>(34,582)</u>   |
| Net Cash Flows from Operating Activities  | <u>\$ 716,283</u> | <u>\$ 516,698</u> |
| Noncash Financing and Investing Activities  |                   |                   |
| Assets Purchased by Assumption of Debt  | <u>\$</u>         | <u>\$ 12,120</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, 2015**

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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. The organizations multi-service approach includes needs assessment, educational classes, case management services, social activities, resource development, mediation and tenant advocacy. The organizational 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, 2015 and December 31, 2014 amounted to \$216,434 and \$286,436, 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, 2015**

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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, 2015 and 2014, 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, 2014, from which the summarized information was derived.

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE 2 - CASH AND EQUIVALENTS:**

Cash and Cash Equivalents are comprised of the following:

|   | 2015         | 2014         |
|---|--------------|--------------|
| Central Valley Community Bank-Operating | \$ 632,212   | \$ 486,261   |
| Wells Fargo - Restricted                | 277,445      | 199,774      |
| Citibank - Payroll                      | 93,636       | 8,039        |
| Wells Fargo - Money Market              | 252,097      | 251,928      |
| Merrill Lynch                           | 429,234      | 242,036      |
| Central Valley Community Bank CD's      | 200,682      | 200,366      |
| American River Bank - Money Market      | 258,895      | 258,681      |
| Big Valley Federal - Money Market       | 450,680      | 300,418      |
|   | \$ 2,594,881 | \$ 1,947,503 |

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, 2015**

**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, 2015:

| Investment Category | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
|---------------------|------------|----------------|----------------|----------------|
| CD's/Money Market   |            |                |                |                |
| Mutual Funds        | \$ 931,131 | \$ 931,131     | \$             | \$             |

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2014:

| Investment Category | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
|---------------------|------------|----------------|----------------|----------------|
| CD's/Money Market   | \$ 882,759 | \$ 882,759     | \$             | \$             |

**NOTE 4 - PROPERTY AND EQUIPMENT:**

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

|                                   | 2015             | 2014             |
|-----------------------------------|------------------|------------------|
| Land                              | \$ 297,127       | \$ 297,127       |
| Building and Improvements         | 563,492          | 563,492          |
| Furniture and Equipment           | 122,283          | 122,283          |
| IT Equipment/Software in Progress | <u>25,532</u>    | <u>25,532</u>    |
|                                   | 1,008,434        | 1,008,434        |
| Accumulated Depreciation          | <u>(243,379)</u> | <u>(214,095)</u> |
| Total Property and Equipment      | \$ 765,055       | \$ 794,339       |

Depreciation and amortization expense for the years ended December 31, 2015 and December 31, 2014 amounted to \$29,290 and \$30,811, respectively.

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE 5 - CAPITAL LEASES PAYABLE:**

LifeSTEPS, Inc. is the lessee of office equipment under capital leases which expire in March 2016. The assets and liabilities under the capital leases were recorded at the lower of the present value of the minimum lease payments or the fair market value of the assets. The assets are amortized over their estimated productive life. The capitalized cost of the assets were \$25,670. The related accumulated amortization at December 31, 2015 and 2014 was \$19,820 and \$15,813, respectively.

Capital lease maturities for each of the next five years following December 31, 2015, are as follows:

|      |    |       |
|------|----|-------|
| 2016 | \$ | 3,099 |
| 2017 |    | 2,424 |
| 2018 |    | 2,424 |
| 2019 |    | 608   |
|      | \$ | 8,555 |

**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, 2015 and 2014 were \$11,974 and \$10,384, respectively.

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

Temporarily restricted net assets as of December 31, 2015 and 2014 were designated as follows:

|  | 2015              | 2014              |
|--|-------------------|-------------------|
| Change A Life Foundation - Specific Awards | \$ 1,497          | \$ 6,265          |
| Client Assistance - General                | 156,038           | 165,837           |
| Client Reading Program                     | 1,620             | 19,507            |
| Client Assistance - Scholarship Awards     | 370,387           | 260,093           |
| <b>Total</b>                               | <b>\$ 529,542</b> | <b>\$ 451,702</b> |

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 8 - SUBSEQUENT EVENTS:**

LifeSTEPS evaluated its December 31, 2015 financial statements for subsequent events through August 16, 2016 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.