



**Life Skills Training and Educational Programs, Inc.**  
**Financial Statements**  
**December 31, 2018 and 2017**





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Financial Statements  
December 31, 2018 and 2017**

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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, 2018 and 2017 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, 2018, 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 2016 financial statements, and our report dated September 30, 2019, 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, 2017, 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  
October 8, 2019



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**Life Skills Training and Educational Programs, Inc.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 3,413,080	\$ 3,178,872
Accounts Receivable	756,409	359,756
Other Current Assets	<u>61,408</u>	<u>90,409</u>
Total Current Assets	4,230,897	3,629,037
Property & Equipment, at Cost, Less Accumulated Depreciation of \$237,313 and \$292,891	1,279,063	722,599
Other Assets:		
Long Term Investments	2,276,835	2,469,706
<b>TOTAL ASSETS</b>	<b>\$ 7,786,795</b>	<b>\$ 6,821,342</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 211,095	\$ 180,758
Current Portion Of Long-term Debt	6,800	4,188
Deferred Compensation	103,891	93,050
Deferred Contract Revenue	<u>19,000</u>	<u>          </u>
Total Current Liabilities	<u>340,786</u>	<u>277,996</u>
Long Term Liabilities:		
Long-term Debt	<u>22,440</u>	<u>600</u>
Total Long Term Liabilities	<u>22,440</u>	<u>600</u>
Total Liabilities	<u>363,226</u>	<u>278,596</u>
Net Assets:		
Without Donor Restrictions:		
Reserves	2,974,436	2,525,316
Board Designated Endowment	2,365,618	2,524,413
Invested in Property and Equipment	<u>1,249,823</u>	<u>717,811</u>
Total Net Assets Without Donor Restrictions	6,589,877	5,767,540
Net Assets With Donor Restrictions	<u>833,692</u>	<u>775,206</u>
Total Net Assets	7,423,569	6,542,746
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,786,795</b>	<b>\$ 6,821,342</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, 2018 with Comparative Totals as of December 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
<b>Revenues, Gains, and Other Support:</b>				
Social Services Program Fees	\$ 7,965,725	\$	\$ 7,965,725	\$ 7,299,641
Contributions From Individuals		61,083	61,083	66,370
Foundation Grants		84,679	84,679	104,314
Corporate Grants and Contributions	1,017,896	256,437	1,274,333	966,445
Client Assistance				
Donated Goods and Services	<u>116,424</u>	<u>          </u>	<u>116,424</u>	<u>131,438</u>
 Total Social Services Fees & Public Support	 9,100,045	 402,199	 9,502,244	 8,568,208
 Other Revenue:				
Investment Income, Net	(57,898)	151	(57,747)	133,434
 Other Revenue	 8,260		 8,260	 4,133
 Net Assets Released from Restrictions	 <u>343,864</u>	 <u>(343,864)</u>	 <u>          </u>	 <u>          </u>
<b>Total Revenues, Gains, and Other Support</b>	<b><u>9,394,271</u></b>	<b><u>58,486</u></b>	<b><u>9,452,757</u></b>	<b><u>8,705,775</u></b>
<b>Expenses:</b>				
Social Services	7,308,193		7,308,193	6,691,458
Management and General	1,168,940		1,168,940	1,014,859
Fundraising	<u>94,801</u>	<u>          </u>	<u>94,801</u>	<u>153,624</u>
<b>Total Expense</b>	<b><u>8,571,934</u></b>	<b><u>          </u></b>	<b><u>8,571,934</u></b>	<b><u>7,859,941</u></b>
<b>Change in Net Assets</b>	<b>822,337</b>	<b>58,486</b>	<b>880,823</b>	<b>845,834</b>
<b>Beginning Net Assets</b>	<b>5,767,540</b>	<b>775,206</b>	<b>6,542,746</b>	<b>5,696,912</b>
<b>Ending Net Assets</b>	<b>\$ 6,589,877</b>	<b>\$ 833,692</b>	<b>\$ 7,423,569</b>	<b>\$ 6,542,746</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, 2018 with Comparative Totals as of December 31, 2017**

	Program Services		Supporting Services			Total Program and Supporting Services	
	Social Services	Total	Management and General	Fundraising	Total	2018 Total	2017 Total
Salaries and Wages	\$ 5,026,090	\$ 5,026,090	\$ 835,884	\$ 61,800	\$ 897,684	\$ 5,923,774	\$ 5,399,891
Employee Benefits	879,525	879,525	136,402	15,415	151,817	1,031,342	970,469
Staff Development	16,578	16,578	1,364	255	1,619	18,197	19,137
Professional Fees	160,365	160,365	33,770	14,914	48,684	209,048	183,720
Supplies	428,392	428,392	6,518	726	7,244	435,636	429,966
Communications	27,248	27,248	1,663		1,663	28,911	31,698
Postage and Shipping	4,522	4,522				4,522	4,860
Occupancy	18,822	18,822	71,335		71,335	90,157	41,313
IT Services and Equipment	49,911	49,911	10,097	308	10,405	60,316	53,782
Printing and Publications	4,505	4,505	631	84	715	5,220	8,383
Travel	163,007	163,007	91	216	307	163,314	148,599
Conferences and Meetings	51,216	51,216	5,093	393	5,486	56,702	41,842
Insurance	43,747	43,747				43,747	34,360
Depreciation			65,764		65,764	65,764	22,605
Specific Assistance to Individuals	369,649	369,649				369,649	407,115
Other Nonpersonnel Expenses	64,616	64,616	328	690	1,018	65,635	62,201
<b>Total Expenses</b>	<b>\$ 7,308,193</b>	<b>\$ 7,308,193</b>	<b>\$ 1,168,940</b>	<b>\$ 94,801</b>	<b>\$ 1,263,741</b>	<b>\$ 8,571,934</b>	<b>\$ 7,859,941</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, 2018 and 2017**

	2018	2017
Cash Flows from Operating Activities:		
Cash Received from Clients and Others	\$ 9,060,841	\$ 8,537,368
Cash Paid to Employees, Vendors and Others	(8,446,832)	(7,587,626)
Interest and Dividends Received	<u>200,352</u>	<u>52,892</u>
Net Cash Flows from Operating Activities	<u>814,361</u>	<u>1,002,634</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments	1,308,316	1,150,339
Proceeds from Sale of Property and Equipment	790,341	
Cash Paid for Building, Equipment and Furnishings	(1,299,828)	
Purchases of Investments	<u>(1,373,344)</u>	<u>(2,154,691)</u>
Net Cash Flows from Investing Activities	<u>(574,515)</u>	<u>(1,004,352)</u>
Cash Flows from Financing Activities:		
Repayments of Long-Term Debt	<u>(5,638)</u>	<u>(4,776)</u>
Net Cash Flows from Financing Activities	<u>(5,638)</u>	<u>(4,776)</u>
Net Change in Cash	234,208	(6,494)
Cash at Beginning of Year	3,178,872	3,185,366
Cash at End of Year	<u>\$ 3,413,080</u>	<u>\$ 3,178,872</u>

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

Change in Net Assets	\$ 880,823	\$ 845,834
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	65,764	22,605
Unrealized (Gain)Loss on Investment	257,899	(80,542)
Changes in Assets and Liabilities:		
Unrealized (Gain)Loss on Assets	(82,651)	
Change in Accounts Receivable	(396,653)	96,465
Change in Other Current Assets	29,001	55,244
Change in Accrued Payroll and Payroll Taxes	30,337	52,187
Change in Other Liabilities	10,841	10,841
Change in Unearned Revenue	<u>19,000</u>	
Net Cash Flows from Operating Activities	<u>\$ 814,361</u>	<u>\$ 1,002,634</u>
Noncash Financing and Investing Activities		
Assets Purchased by Assumption of Debt	<u>\$ 30,090</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, 2018 and 2017**

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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, 2018 and December 31, 2017 amounted to \$116,424 and \$131,438, 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**  
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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, 2018 and 2017, 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, 2017, from which the summarized information was derived.

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 2 - CASH AND EQUIVALENTS:**

Cash and Cash Equivalents are comprised of the following:

	2018	2017
Central Valley Community Bank-Operating	\$ 787,685	\$ 948,844
Wells Fargo - Restricted	581,140	522,806
US Bank CD	1,000,000	
Citibank - Payroll	300,106	437,846
Wells Fargo - Money Market	252,552	252,400
US Bank Money Market	389	250,360
Merrill Lynch	88,782	54,707
Central Valley Community Bank CD's	402,174	401,576
Central Valley Community Bank Money Market	251	310,333
	\$ 3,413,080	\$ 3,178,872

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, 2018 and 2017**

**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, 2018:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
CD's/Money Market				
Mutual Funds	\$ 3,365,618	\$ 3,365,618	\$	\$

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2017:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
CD's/Money Market	\$ 2,469,706	\$ 2,469,706	\$	\$

**NOTE 4 - PROPERTY AND EQUIPMENT:**

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

	2018	2017
Land	\$ 122,400	\$ 297,127
Building and Improvements	1,105,824	570,548
Furniture and Equipment	229,572	122,283
IT Equipment/Software in Progress	<u>58,580</u>	<u>25,532</u>
	1,516,376	1,015,490
Accumulated Depreciation	<u>(237,313)</u>	<u>(292,891)</u>
Total Property and Equipment	\$ 1,279,063	\$ 722,599

Depreciation and amortization expense for the years ended December 31, 2018 and December 31, 2017 amounted to \$65,764 and \$22,605, respectively.

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 5 - CAPITAL LEASES PAYABLE:**

LifeSTEPS, Inc. is the lessee of office equipment under capital leases which expire in October 2023. 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 \$60,595. The related accumulated amortization at December 31, 2018 and 2017 was \$32,499 and \$25,717, respectively.

Capital lease maturities for each of the next five years following December 31, 2018, are as follows:

2019	\$	6,800
2020		6,120
2021		6,120
2022		6,120
2023		4,080
	\$	29,240

**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, 2018 and 2017 were \$18,023 and \$15,206, respectively.

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

Temporarily restricted net assets as of December 31, 2018 and 2017 were designated as follows:

	2018	2017
Change A Life Foundation - Specific Awards	\$ 1	\$ 3,734
Client Assistance - General	443,032	378,397
Client Reading Program	23,000	8,917
Client Assistance - Scholarship Awards	367,659	384,158
Total	\$ 833,692	\$ 775,206

**Life Skills Training and Educational Programs, Inc.**  
**Notes to Financial Statements**  
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**NOTE 8 - SUBSEQUENT EVENTS:**

LifeSTEPS evaluated its December 31, 2018 financial statements for subsequent events through October 8, 2019, 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.