



Life Skills Training and Educational Programs, Inc.
Financial Statements
December 31, 2020 and 2019



**Life Skills Training and Educational Programs, Inc.
Financial Statements
December 31, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Life Skills Training and Educational Programs, Inc.
Sacramento, 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, 2020 and 2019 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, 2020, 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 2019 financial statements, and our report dated October 7, 2020 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, 2020, 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

Rancho Cordova, California
October 22, 2021



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Life Skills Training and Educational Programs, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets:		
Cash	\$ 6,315,388	\$ 3,818,858
Accounts Receivable	930,708	1,034,546
Other Current Assets	<u>85,682</u>	<u>104,949</u>
Total Current Assets	7,331,778	4,958,353
Property & Equipment, at Cost, Less Accumulated Depreciation of \$382,967 and \$313,372	1,138,585	1,208,180
Other Assets:		
Long Term Investments	3,748,512	3,204,394
TOTAL ASSETS	\$ 12,218,875	\$ 9,370,927
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 241,682	\$ 195,678
Current Portion Of Long-term Debt	1,592,782	6,300
Deferred Compensation	128,812	115,972
Deferred Contract Revenue	<u>7,045</u>	<u>7,045</u>
Total Current Liabilities	<u>1,970,321</u>	<u>324,995</u>
Long Term Liabilities:		
Long-term Debt	<u>9,648</u>	<u>16,140</u>
Total Long Term Liabilities	<u>9,648</u>	<u>16,140</u>
Total Liabilities	<u>1,979,969</u>	<u>341,135</u>
Net Assets:		
Without Donor Restrictions:		
Reserves	4,478,663	3,375,540
Board Designated Endowment	3,853,501	3,542,137
Board Designated Reserves	400,000	
Invested in Property and Equipment	<u>1,122,445</u>	<u>1,185,740</u>
Total Net Assets Without Donor Restrictions	9,454,609	8,103,417
Net Assets With Donor Restrictions	<u>784,297</u>	<u>926,375</u>
Total Net Assets	10,238,906	9,029,792
TOTAL LIABILITIES AND NET ASSETS	\$ 12,218,875	\$ 9,370,927

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, 2020 with Comparative Totals as of December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenues, Gains, and Other Support:				
Social Services Program Fees	\$ 9,115,462	\$	\$ 9,115,462	\$ 8,573,936
Contributions From Individuals		103,830	103,830	80,511
Foundation Grants		66,750	66,750	49,000
Corporate Grants and Contributions	1,290,651	253,199	1,543,850	1,456,948
Client Assistance				
Donated Goods and Services	<u>72,801</u>	<u> </u>	<u>72,801</u>	<u>98,529</u>
 Total Social Services Fees & Public Support	 10,478,914	 423,779	 10,902,693	 10,258,924
 Other Revenue:				
Investment Income, Net	348,144	50	348,194	471,581
 Other Revenue	 325	 	 325	 2,866
 Net Assets Released from Restrictions	 <u>565,907</u>	 <u>(565,907)</u>	 <u> </u>	 <u> </u>
Total Revenues, Gains, and Other Support	<u>11,393,290</u>	<u>(142,078)</u>	<u>11,251,212</u>	<u>10,733,371</u>
Expenses:				
Social Services	8,506,143		8,506,143	7,657,805
Management and General	1,318,363		1,318,363	1,276,868
Fundraising	<u>217,592</u>	<u> </u>	<u>217,592</u>	<u>192,475</u>
Total Expense	<u>10,042,098</u>	<u> </u>	<u>10,042,098</u>	<u>9,127,148</u>
Change in Net Assets	1,351,192	(142,078)	1,209,114	1,606,223
Beginning Net Assets	8,103,417	926,375	9,029,792	7,423,569
Ending Net Assets	\$ 9,454,609	\$ 784,297	\$ 10,238,906	\$ 9,029,792

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, 2020 with Comparative Totals as of December 31, 2019

	Program Services		Supporting Services			Total Program and Supporting Services	
	Social Services	Total	Management and General	Fundraising	Total	2020 Total	2019 Total
Salaries and Wages	\$ 5,972,872	\$ 5,972,872	\$ 943,529	\$ 189,375	\$ 1,132,904	\$ 7,105,776	\$ 6,358,219
Employee Benefits	881,493	881,493	156,186	21,417	177,603	1,059,096	984,045
Staff Development	1,753	1,753	216	61	277	2,030	22,682
Professional Fees	273,606	273,606	54,769	3,829	58,598	332,204	277,758
Supplies	423,241	423,241	12,643	127	12,770	436,011	460,245
Communications	29,401	29,401	5,300		5,300	34,701	23,249
Postage and Shipping	6,474	6,474	511	89	600	7,074	5,989
Occupancy	121,809	121,809	56,408		56,408	178,219	113,908
IT Services and Equipment	40,426	40,426	10,494	172	10,666	51,092	69,674
Printing and Publications	2,536	2,536	315	1,347	1,662	4,198	3,307
Travel	75,931	75,931	26	18	44	75,975	185,772
Conferences and Meetings	15,938	15,938	690	173	863	16,801	47,632
Insurance	35,321	35,321	2,869		2,869	38,190	48,779
Depreciation			69,595		69,595	69,595	76,059
Specific Assistance to Individuals	562,754	562,754				562,754	357,724
Other Nonpersonnel Expenses	62,588	62,588	4,812	984	5,796	68,382	92,106
Total Expenses	\$ 8,506,143	\$ 8,506,143	\$ 1,318,363	\$ 217,592	\$ 1,535,955	\$ 10,042,098	\$ 9,127,148

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

Life Skills Training and Educational Programs, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Cash Received from Clients and Others	\$ 10,829,567	\$ 10,151,020
Cash Paid to Employees, Vendors and Others	(9,999,592)	(9,643,814)
Interest and Dividends Received	<u>348,519</u>	<u>471,581</u>
Net Cash Flows from Operating Activities	<u>1,178,494</u>	<u>978,787</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments	1,960,771	1,145,707
Cash Paid for Building, Equipment and Furnishings		(5,176)
Purchases of Investments	<u>(2,222,725)</u>	<u>(1,706,740)</u>
Net Cash Flows from Investing Activities	<u>(261,954)</u>	<u>(566,209)</u>
Cash Flows from Financing Activities:		
Proceeds from Debt Borrowings	1,586,290	
Repayments of Long-Term Debt	<u>(6,300)</u>	<u>(6,800)</u>
Net Cash Flows from Financing Activities	<u>1,579,990</u>	<u>(6,800)</u>
Net Change in Cash	2,496,530	405,778
Cash at Beginning of Year	3,818,858	3,413,080
Cash at End of Year	<u>\$ 6,315,388</u>	<u>\$ 3,818,858</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, 2020 and 2019

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, 2020 and December 31, 2019 amounted to \$72,801 and \$98,529, 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, 2020 and 2019

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, 2020 and 2019, 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, 2019 from which the summarized information was derived.

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
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NOTE 2 - CASH AND EQUIVALENTS:

Cash and Cash Equivalents are comprised of the following:

	2020	2019
Central Valley Community Bank-Operating	\$ 174,548	\$ 18,011
Chase Bank - Payroll	260,893	
Wells Fargo - Restricted	931,598	673,738
US Bank CD	1,042,416	1,026,000
US Bank Operating	2,806,480	376,479
Citibank - Payroll	137,965	530,737
Wells Fargo - Money Market	252,699	252,638
US Bank Money Market	100,358	100,306
Merrill Lynch	104,989	337,743
Central Valley Community Bank CD's	403,125	402,924
Central Valley Community Bank Money Market	100,317	100,282
	\$ 6,315,388	\$ 3,818,858

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.

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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, 2020:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
CD's/Money Market	\$ 1,042,416	\$ 1,042,416	\$	\$
Mutual Funds	3,853,501	3,853,501		
	\$ 4,895,917	\$ 4,895,917	\$	\$

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2019:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
CD's/Money Market	\$ 1,026,000	\$ 1,026,000	\$	\$
Mutual Funds	3,542,137	3,542,137		
	\$ 4,568,137	\$ 4,568,137	\$	\$

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NOTE 4 - PROPERTY AND EQUIPMENT:

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

	2020	2019
Land	\$ 122,400	\$ 122,400
Building and Improvements	1,105,824	1,105,824
Furniture and Equipment	229,572	229,572
IT Equipment/Software in Progress	63,756	63,756
	1,521,552	1,521,552
Accumulated Depreciation	(382,967)	(313,372)
Total Property and Equipment	\$ 1,138,585	\$ 1,208,180

Depreciation and amortization expense for the years ended December 31, 2020 and December 31, 2019 amounted to \$69,595 and \$76,059, respectively.

NOTE 5 - CAPITAL LEASES PAYABLE:

LifeSTEPS, Inc. is the lessee of office equipment under capital leases which expire in October 2024. 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 \$60,664. The related accumulated amortization at December 31, 2020 and 2019 was \$38,211 and \$32,499, respectively.

Capital lease maturities for each of the next five years following December 31, 2020, are as follows:

2021	\$ 6,492	
2022	6,120	
2023	3,528	
	\$ 16,140	

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, 2020 and 2019 were \$23,048 and \$19,961, respectively.

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Notes to Financial Statements
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NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS:

Restricted net assets as of December 31, 2020 and 2019 were designated as follows:

	2020	2019
Client Assistance - General	289,295	493,776
Client Reading Program	9,132	24,330
Client Assistance - Scholarship Awards	485,870	408,269
Total	\$ 784,297	\$ 926,375

NOTE 8 - LIQUIDITY AND AVAILABLE RESOURCES:

As part of the Company's liquidity management, it invests cash in excess of daily requirements in short and long term investments, primarily Equities and Mutual Funds. The following reflects the Company's financial assets as of the balance sheet date, including amounts not available within one year of the balance sheet date.

The Company's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2020	2019
Cash and Cash Equivalents	\$ 6,315,388	\$ 3,818,858
Investments	3,748,512	3,204,394
Accounts Receivable	930,707	1,034,546
Financial Assets, as of December 31, 2020	10,994,607	8,057,798
Less:		
Board Designated Endowment Fund	4,932,809	4,130,770
Financial assets available within one year to meet cash needs for general expenditures within one year	\$ 6,061,798	\$ 3,927,028

NOTE 9 - SUBSEQUENT EVENTS:

LifeSTEPS evaluated its December 31, 2020 financial statements for subsequent events through October 22, 2021, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. It is at least reasonably possible that this matter will negatively impact LifeSTEPS. However, the financial impact and duration cannot be reasonably estimated at this time.

During the year, the Organization received a Payroll Protection Program Loan in the amount of \$1,579,990 which was forgiven in full subsequent to year end.

LifeSTEPS is not aware of any other subsequent events which would require recording or disclosure in the financial statements.