



Life Skills Training and Educational Programs, Inc.
Financial Statements
December 31, 2021 and 2020



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December 31, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Life Skills Training and Educational Programs, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Life Skills Training and Educational Programs, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Life Skills Training and Educational Programs, Inc.'s internal control. Accordingly, no such opinion is expressed.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Life Skills Training and Educational Programs, Inc.'s ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

Report on Summarized Comparative Information

We have previously audited Life Skills Training and Educational Programs, Inc.'s 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 22, 2021 . In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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
August 24, 2022



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Life Skills Training and Educational Programs, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets:		
Cash	\$ 6,215,475	\$ 6,315,388
Accounts Receivable	958,334	930,708
Other Current Assets	<u>191,378</u>	<u>85,682</u>
Total Current Assets	7,365,187	7,331,778
Property & Equipment, at Cost, Less Accumulated Depreciation of \$453,105 and \$382,967	1,074,347	1,138,585
Other Assets:		
Long Term Investments	6,004,776	3,748,512
TOTAL ASSETS	\$ 14,444,310	\$ 12,218,875
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 261,692	\$ 241,682
Current Portion Of Long-term Debt	6,698	1,592,782
Deferred Compensation	145,300	128,812
Deferred Contract Revenue	<u>28,914</u>	<u>7,045</u>
Total Current Liabilities	<u>442,604</u>	<u>1,970,321</u>
Long Term Liabilities:		
Long-term Debt	<u>2,950</u>	<u>9,648</u>
Total Long Term Liabilities	<u>2,950</u>	<u>9,648</u>
Total Liabilities	<u>445,554</u>	<u>1,979,969</u>
Net Assets:		
Without Donor Restrictions:		
Reserves	5,248,831	4,078,663
Board Designated Endowment	6,434,083	3,853,501
Board Designated Reserves	444,501	400,000
Invested in Property and Equipment	<u>1,064,699</u>	<u>1,122,445</u>
Total Net Assets Without Donor Restrictions	13,192,114	9,454,609
Net Assets With Donor Restrictions	<u>806,642</u>	<u>784,297</u>
Total Net Assets	13,998,756	10,238,906
TOTAL LIABILITIES AND NET ASSETS	\$ 14,444,310	\$ 12,218,875

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, 2021 with Comparative Totals as of December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenues, Gains, and Other Support:				
Social Services Program Fees	\$ 11,608,278	\$	\$ 11,608,278	\$ 9,115,462
Contributions From Individuals		122,145	122,145	103,830
Foundation Grants		15,000	15,000	66,750
Corporate Grants and Contributions	54,501	246,127	300,628	1,543,850
Donated Goods and Services	<u>30,448</u>	<u> </u>	<u>30,448</u>	<u>72,801</u>
Total Social Services Fees & Public Support	11,693,227	383,272	12,076,499	10,902,693
Other Revenue:				
Investment Income, Net	613,137	25	613,162	348,194
Other Revenue	1,596,198	94	1,596,292	325
Net Assets Released from Restrictions	<u>361,046</u>	<u>(361,046)</u>	<u> </u>	<u> </u>
Total Revenues, Gains, and Other Support	<u>14,263,608</u>	<u>22,345</u>	<u>14,285,953</u>	<u>11,251,212</u>
Expenses:				
Social Services	8,804,406		8,804,406	8,506,143
Management and General	1,605,568		1,605,568	1,318,363
Fundraising	<u>116,129</u>	<u> </u>	<u>116,129</u>	<u>217,592</u>
Total Expense	<u>10,526,103</u>	<u> </u>	<u>10,526,103</u>	<u>10,042,098</u>
Change in Net Assets	3,737,505	22,345	3,759,850	1,209,114
Beginning Net Assets	9,454,609	784,297	10,238,906	9,029,792
Ending Net Assets	\$ 13,192,114	\$ 806,642	\$ 13,998,756	\$ 10,238,906

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, 2021 with Comparative Totals as of December 31, 2020

	Program Services		Supporting Services			Total Program and Supporting Services	
	Social Services	Total	Management and General	Fundraising	Total	2021 Total	2020 Total
Salaries and Wages	\$ 6,415,622	\$ 6,415,622	\$ 1,185,661	\$ 80,241	\$ 1,265,902	\$ 7,681,524	\$ 7,105,776
Employee Benefits	852,923	852,923	175,953	9,035	184,988	1,037,911	1,059,096
Staff Development	2,015	2,015	940	175	1,115	3,130	2,030
Professional Fees	304,285	304,285	71,414	24,804	96,218	400,503	332,204
Supplies	412,264	412,264	10,314		10,314	422,578	436,011
Communications	31,765	31,765	7,361	430	7,791	39,556	34,701
Postage and Shipping	5,041	5,041	602	16	618	5,659	7,074
Occupancy	110,747	110,747	58,086		58,086	168,833	178,219
IT Services and Equipment	49,352	49,352	16,924	459	17,383	66,735	51,092
Printing and Publications	1,269	1,269				1,269	4,198
Travel	105,795	105,795	762	45	807	106,602	75,975
Conferences and Meetings	30,219	30,219	2,427		2,427	32,646	16,801
Insurance	37,018	37,018	2,826		2,826	39,844	38,190
Depreciation			70,138		70,138	70,138	69,595
Specific Assistance to Individuals	365,350	365,350				365,350	562,754
Other Nonpersonnel Expenses	80,741	80,741	2,160	924	3,084	83,825	68,382
Total Expenses	\$ 8,804,406	\$ 8,804,406	\$ 1,605,568	\$ 116,129	\$ 1,721,697	\$ 10,526,103	\$ 10,042,098

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Cash Received from Clients and Others	\$ 10,438,437	\$ 10,829,567
Cash Paid to Employees, Vendors and Others	(10,514,725)	(9,999,592)
Interest and Dividends Received	613,162	348,519
Forgiveness of PPP Loan	<u>1,586,290</u>	<u>0</u>
Net Cash Flows from Operating Activities	<u>2,123,164</u>	<u>1,178,494</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments	2,760,823	1,960,771
Cash Paid for Building, Equipment and Furnishings	(5,900)	
Purchases of Investments	<u>(4,971,508)</u>	<u>(2,222,725)</u>
Net Cash Flows from Investing Activities	<u>(2,216,585)</u>	<u>(261,954)</u>
Cash Flows from Financing Activities:		
Proceeds from Debt Borrowings		1,586,290
Repayments of Long-Term Debt	<u>(6,492)</u>	<u>(6,300)</u>
Net Cash Flows from Financing Activities	<u>(6,492)</u>	<u>1,579,990</u>
Net Change in Cash	(99,913)	2,496,530
Cash at Beginning of Year	6,315,388	3,818,858
Cash at End of Year	<u>\$ 6,215,475</u>	<u>\$ 6,315,388</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, 2021 and 2020

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, 2021 and December 31, 2020 amounted to \$30,448 and \$72,801, 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, 2021 and 2020

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, 2021 and 2020, 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, 2020 from which the summarized information was derived.

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

Cash and Cash Equivalents are comprised of the following:

	2021	2020
Central Valley Community Bank-Operating	\$	\$ 174,548
Chase Bank - Payroll	259,750	260,893
Wells Fargo - Restricted	1,043,670	931,598
US Bank CD	1,043,129	1,042,416
US Bank Operating	2,496,021	2,806,480
Citibank - Payroll	87,207	137,965
Wells Fargo - Savings	251,974	252,699
US Bank Money Market	100,364	100,358
Merrill Lynch Cash Equivalents	429,307	104,989
Central Valley Community Bank CD's	403,726	403,125
Central Valley Community Bank Money Market	100,327	100,317
	\$ 6,215,475	\$ 6,315,388

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
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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, 2021:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds	\$ 6,004,776	\$ 6,004,776	\$	\$
	\$ 6,004,776	\$ 6,004,776	\$	\$

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
Mutual Funds	\$ 3,748,512	\$ 3,748,512	\$	\$
	\$ 3,748,512	\$ 3,748,512	\$	\$

NOTE 4 - RELATED PARTY TRANSACTIONS:

The organization has entered into a consulting agreement with the President to provide certain services including oversight of legal matters facing the organization, business development services, and communication consulting in the amount of \$8,300 per month for three years. Thereafter, the agreement can be renewed by the organization for up to six additional three-year periods of time. During the years ended December 31, 2021 and 2020, the organization paid \$119,400 and \$102,600, respectively, for consulting services.

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

NOTE 5 - PROPERTY AND EQUIPMENT:

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

	2021	2020
Land	\$ 122,400	\$ 122,400
Building and Improvements	1,105,824	1,105,824
Furniture and Equipment	235,472	229,572
IT Equipment/Software in Progress	63,756	63,756
	1,527,452	1,521,552
Accumulated Depreciation	(453,105)	(382,967)
Total Property and Equipment	\$ 1,074,347	\$ 1,138,585

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 amounted to \$70,138 and \$69,595, respectively.

NOTE 6 - CAPITAL LEASES PAYABLE:

LifeSTEPS, Inc. is the lessee of office equipment under a capital lease which expires in October 2023. 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 the estimated productive life. The capitalized cost of the asset was \$30,090. The related accumulated amortization at December 31, 2021 and 2020 was \$20,060 and \$14,042, respectively.

Capital lease maturities for each of the next five years following December 31, 2021, are as follows:

2022	\$ 6,698	
2023	2,950	
	\$ 9,648	

NOTE 7 - 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, 2021 and 2020 were \$24,659 and \$23,048, respectively.

Life Skills Training and Educational Programs, Inc.
Notes to Financial Statements
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NOTE 8- NET ASSETS WITH DONOR RESTRICTIONS:

Restricted net assets as of December 31, 2021 and 2020 were designated as follows:

	2021	2020
Client Assistance - General	\$ 172,982	\$ 289,295
Client Reading Program	11,038	9,132
Client Assistance - Scholarship Awards	622,622	485,870
Total	\$ 806,642	\$ 784,297

NOTE 9 -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:

	2021	2020
Cash and Cash Equivalents	\$ 6,215,475	\$ 6,315,388
Investments	6,004,776	3,748,512
Accounts Receivable	958,335	930,707
Financial Assets, as of December 31, 2021	13,178,586	10,994,607
Less:		
Board Designated Endowment Fund	7,300,420	4,932,809
Financial assets available within one year to meet cash needs for general expenditures within one year	\$ 5,878,166	\$ 6,061,798

NOTE 10 - SUBSEQUENT EVENTS:

LifeSTEPS evaluated its December 31, 2021 financial statements for subsequent events through August 24, 2022, 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.

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