



**Life Skills Training and Educational Programs, Inc.  
Financial Statements  
December 31, 2022 and 2021**





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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, 2022 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 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 24, 2022 . 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  
September 11, 2023



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**Life Skills Training and Educational Programs, Inc.**  
**Statements of Activities**  
**For the Year Ended December 31, 2022 with Comparative Totals as of December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
<b>Revenues, Gains, and Other Support:</b>				
Social Services Program Fees	\$ 13,848,839	\$	\$ 13,848,839	\$ 11,608,278
Contributions From Individuals		67,344	67,344	122,145
Foundation Grants		66,000	66,000	15,000
Corporate Grants and Contributions	50,000	205,348	255,348	300,628
Donated Goods and Services	<u>82,272</u>	<u>          </u>	<u>82,272</u>	<u>30,448</u>
Total Social Services Fees & Public Support	13,981,111	338,692	14,319,803	12,076,499
Other Revenue:				
Investment Income, Net	(892,628)	107	(892,521)	613,162
Other Revenue	22,444	6,500	28,944	1,596,292
Net Assets Released from Restrictions	<u>265,227</u>	<u>(265,227)</u>	<u>          </u>	<u>          </u>
<b>Total Revenues, Gains, and Other Support</b>	<u>13,376,154</u>	<u>80,072</u>	<u>13,456,226</u>	<u>14,285,953</u>
<b>Expenses:</b>				
Social Services	10,700,197		10,700,197	8,804,406
Management and General	1,895,557		1,895,557	1,605,568
Fundraising	<u>102,504</u>	<u>          </u>	<u>102,504</u>	<u>116,129</u>
<b>Total Expense</b>	<u>12,698,258</u>	<u>          </u>	<u>12,698,258</u>	<u>10,526,103</u>
<b>Change in Net Assets</b>	677,896	80,072	757,968	3,759,850
<b>Beginning Net Assets</b>	13,192,112	806,642	13,998,754	10,238,904
<b>Ending Net Assets</b>	<u>\$ 13,870,008</u>	<u>\$ 886,714</u>	<u>\$ 14,756,722</u>	<u>\$ 13,998,754</u>

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, 2022 with Comparative Totals as of December 31, 2021**

	Program Services		Supporting Services			Total Program and Supporting Services	
	Social Services	Total	Management and General	Fundraising	Total	2022 Total	2021 Total
Salaries and Wages	\$ 7,898,898	\$ 7,898,898	\$ 1,443,776	\$ 68,366	\$ 1,512,142	\$ 9,411,040	\$ 7,681,524
Employee Benefits	1,137,096	1,137,096	201,372	8,281	209,653	1,346,749	1,037,911
Staff Development	2,723	2,723	1,701	54	1,755	4,478	3,130
Professional Fees	359,797	359,797	46,016	19,105	65,121	424,918	400,503
Supplies	145,455	145,455	17,339	321	17,660	163,115	422,578
Communications	34,747	34,747	9,855	412	10,267	45,014	39,556
Postage and Shipping	5,399	5,399	1,247		1,247	6,646	5,659
Occupancy	87,546	87,546	59,456		59,456	147,002	168,833
IT Services and Equipment	37,273	37,273	7,714	4,869	12,583	49,856	66,735
Printing and Publications	1,606	1,606	3		3	1,609	1,269
Travel	181,250	181,250	19,242	455	19,697	200,947	106,602
Conferences and Meetings	46,593	46,593	15,709	55	15,764	62,357	32,646
Resident Services Reimbursable	340,298	340,298				340,298	
Insurance	45,384	45,384				45,384	39,844
Depreciation			71,198		71,198	71,198	70,138
Specific Assistance to Individuals	306,532	306,532				306,532	365,350
Other Nonpersonnel Expenses	69,600	69,600	929	586	1,515	71,115	83,825
<b>Total Expenses</b>	<b>\$ 10,700,197</b>	<b>\$ 10,700,197</b>	<b>\$ 1,895,557</b>	<b>\$ 102,504</b>	<b>\$ 1,998,061</b>	<b>\$ 12,698,258</b>	<b>\$ 10,526,103</b>

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, 2022 and 2021**

	2022	2021
Cash Flows from Operating Activities:		
Cash Received from Clients and Others	\$ 14,028,423	\$ 10,438,437
Cash Paid to Employees, Vendors and Others	(12,643,461)	(10,514,725)
Interest and Dividends Received	78,547	613,162
Forgiveness of PPP Loan	<u>                    </u>	<u>1,586,290</u>
Net Cash Flows from Operating Activities	<u>1,463,509</u>	<u>2,123,164</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments	3,165,646	2,760,823
Cash Paid for Building, Equipment and Furnishings		(5,900)
Purchases of Investments	<u>(3,567,245)</u>	<u>(4,971,508)</u>
Net Cash Flows from Investing Activities	<u>(401,599)</u>	<u>(2,216,585)</u>
Cash Flows from Financing Activities:		
Repayments of Long-Term Debt	<u>(6,698)</u>	<u>(6,492)</u>
Net Cash Flows from Financing Activities	<u>(6,698)</u>	<u>(6,492)</u>
Net Change in Cash	1,055,212	(99,913)
Cash at Beginning of Year	6,215,475	6,315,388
Cash at End of Year	<u>\$ 7,270,687</u>	<u>\$ 6,215,475</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, 2022 and 2021**

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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, 2022 and December 31, 2021 amounted to \$82,272 and \$30,448, 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, 2022 and 2021, 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, 2021 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:

	2022	2021
Chase Bank - Payroll	\$ 259,002	\$ 259,750
Wells Fargo - Restricted	279,134	1,043,670
US Bank CD	1,045,000	1,043,129
US Bank Operating	2,506,593	2,496,021
Citibank - Payroll	151,638	87,207
Wells Fargo - Savings	1,152,081	251,974
US Bank Money Market	100,369	100,364
Merrill Lynch Cash Equivalents	72,647	429,307
Central Valley Community Bank CD's	403,886	403,726
PNC CD	600,000	
Central Valley Community Bank Money Market	100,337	100,327
US Bank CD	600,000	
	<b>\$ 7,270,687</b>	<b>\$ 6,215,475</b>

At various times during the fiscal year, the Organization's cash in bank balances exceeded the Federally insured limits. As of December 31, 2022, the exceeded amount totaled \$4,595,74 It is the opinion of management that the solvency of the above 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;

**Life Skills Training and Educational Programs, Inc.**  
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**NOTE 3 - FAIR VALUE MEASUREMENTS (Continued):**

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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, 2022:

Investment Category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds/Bonds	\$ 5,435,307	\$ 5,435,307	\$	\$
	\$ 5,435,307	\$ 5,435,307	\$	\$

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	\$	\$

**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, 2022 and 2021, the organization paid \$125,000 and \$119,400, respectively, for consulting services.

**Life Skills Training and Educational Programs, Inc.**  
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**NOTE 5 - PROPERTY AND EQUIPMENT:**

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

	2022	2021
Land	\$ 122,400	\$ 122,400
Building and Improvements	1,105,824	1,105,824
Furniture and Equipment	235,472	235,472
IT Equipment/Software in Progress	<u>63,756</u>	<u>63,756</u>
	1,527,452	1,527,452
Accumulated Depreciation	<u>(524,303)</u>	<u>(453,105)</u>
<b>Total Property and Equipment</b>	<b>\$ 1,003,149</b>	<b>\$ 1,074,347</b>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 amounted to \$71,198 and \$70,138, respectively.

**NOTE 6 - OPERATING LEASES**

The Company adopted ASC 842, *Leases*, effective January 1, 2022 using the modified retrospective method of adoption. The Company elected the package of practical expedients, which, among other items, permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected the short-term lease recognition exemption for all leases that qualify. Under this election, the Company does not recognize right-of-use assets or lease liabilities for leases with a term of 12 months or less. The Company also elected to not separate lease and non-lease components for all leases. The Company did not elect the use-of hindsight practical expedient.

The Company determines if an arrangement is a lease and identifies the classification of the lease as a finance lease or an operating lease at inception. The Company's lease portfolio is comprised primarily of real estate and equipment agreements. Operating leases in which the Company is the lessee are recorded as operating lease right-of-use assets and operating lease liabilities, included in right-of-use asset, short-term lease liability and long-term lease liability, respectively, on the Statements of Financial Position as of December 31, 2022 and 2021.

The Company does not currently have any significant finance leases in which it is the lessee. Operating lease right-of-use assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease.

For operating leases, the operating lease liabilities are initially and subsequently recognized based on the present value of the remaining lease payments using a discount rate that represents the Company's incremental borrowing rate at the lease commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. This incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic

**Life Skills Training and Educational Programs, Inc.**  
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environment and given similar credit risk. The lease term for all of the Company’s leases includes the noncancellable period of the lease plus any additional periods covered by either a Company option to extend (or not to terminate) the lease. The Company includes these options in the lease term when it is reasonably certain of exercising them.

Right-of-use assets are further adjusted for lease incentives. Operating lease expense is recognized on a straight-line basis over the lease term and is recorded in general and administrative expenses in the Consolidated Statements of Operations. The Company recognizes variable lease payments associated with the Company’s leases when the variability is resolved. Variable lease payments are recorded in general and administrative expenses in the Statements of Operations along with expenses arising from fixed lease payments.

There are currently no Operating Leases to be disclosed.

**NOTE 7- 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, 2022 and 2021 was \$26,078 and \$20,060, respectively.

Capital lease maturities for each of the next five years following December 31, 2022, are as follows:

2023	\$ <u>          </u> 2,950
	\$           2,950

**NOTE 8 - 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, 2022 and 2021 were \$27,705 and \$24,659, respectively.

**Life Skills Training and Educational Programs, Inc.**  
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**NOTE 9- NET ASSETS WITH DONOR RESTRICTIONS:**

Restricted net assets as of December 31, 2022 and 2021 were designated as follows:

	2022	2021
Client Assistance - General	\$ 215,203	\$ 172,982
Client Reading Program	21,490	11,038
Client Assistance - Scholarship Awards	650,021	622,622
<b>Total</b>	<b>\$ 886,714</b>	<b>\$ 806,642</b>

**NOTE 10 -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:

	2022	2021
Cash and Cash Equivalents	\$ 7,270,687	\$ 6,215,475
Investments	5,435,307	6,004,776
Accounts Receivable	1,329,099	958,335
Financial Assets, as of December 31, 2022	14,035,093	13,178,586
Less:		
Board Designated Endowment Fund/Donor Restricted	6,866,522	7,300,420
<b>Financial assets available within one year to meet cash needs for general expenditures within one year</b>	<b>\$ 7,168,571</b>	<b>\$ 5,878,166</b>

**NOTE 11 - SUBSEQUENT EVENTS:**

LifeSTEPS evaluated its December 31, 2022 financial statements for subsequent events through September 11, 2023, 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.