

LIFESKILLS TRAINING AND EDUCATIONAL
PROGRAMS, INC.

Audited Financial Statements

December 31, 2023

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2023

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
<u>Financial Statements</u>	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Life Skills Training and Educational Programs, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Organization as of December 31, 2023, 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.

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 Organization 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.

Correction of Errors

As discussed in Note K, payroll for December 2022 paid in January 2023 was not accrued at December 31, 2022. Accordingly, adjustments have been made to net assets as of January 31, 2023 to correct for this accrual.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors of
Life Skills Training and Educational Programs, Inc.

Auditor's Responsibility 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 Organization's internal control. Accordingly, no such opinion is expressed.
- 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 Organization'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.

Richardson & Company, LLP

September 10, 2024

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2023

ASSETS	
Cash	\$ 5,313,329
Accounts receivable	1,777,424
Prepaid expenses	116,689
Investments	10,799,475
Property and equipment, net	947,145
Right of use asset	23,782
Other assets	<u>110,563</u>
 TOTAL ASSETS	 <u><u>\$ 19,088,407</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 22,006
Accrued payroll	553,283
Accrued vacation	337,052
Lease liability	23,782
Deferred compensation	<u>182,307</u>
TOTAL LIABILITIES	<u>1,118,430</u>
 NET ASSETS	
Without donor restrictions	
Board-designated endowment	6,204,471
Designated for future operations	5,262,282
Designated for emergencies	<u>596,230</u>
	12,062,983
Undesignated	5,024,715
With donor restrictions	<u>882,279</u>
TOTAL NET ASSETS	<u><u>17,969,977</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 19,088,407</u></u>

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

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Social services program fees	\$ 16,249,243		\$ 16,249,243
State grants	987,035		987,035
Contributions from individuals		\$ 76,198	76,198
Foundation grants		50,000	50,000
Corporate grants and contributions		250,203	250,203
Donated goods and services	59,602		59,602
Investment income, net	897,522		897,522
Other income	83,572		83,572
Net assets released from restriction	380,836	(380,836)	
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	18,657,810	(4,435)	18,653,375
EXPENSES			
Social services	12,524,380		12,524,380
Management and general	2,233,800		2,233,800
Fundraising	192,521		192,521
TOTAL EXPENSES	14,950,701	-	14,950,701
CHANGE IN NET ASSETS	3,707,109	(4,435)	3,702,674
Net assets, beginning of year as previously reported	13,870,008	886,714	14,756,722
Restatement of net assets	(489,419)		(489,419)
Net assets, beginning of year, as restated	13,380,589	886,714	14,267,303
NET ASSETS AT END OF YEAR	\$ 17,087,698	\$ 882,279	\$ 17,969,977

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

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services		Supporting Services			Total Expenses
	Social Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 9,350,418	\$ 9,350,418	\$ 1,636,044	\$ 144,694	\$ 1,780,738	\$ 11,131,156
Payroll taxes	704,428	704,428	120,823	10,858	131,681	836,109
Employee benefits	572,104	572,104	118,016	9,748	127,764	699,868
Staff development	29,315	29,315	278	108	386	29,701
Professional fees	403,277	403,277	103,031	16,290	119,321	522,598
Supplies	97,854	97,854	17,642	603	18,245	116,099
Communications	45,635	45,635	7,644	674	8,318	53,953
Postage and shipping	7,141	7,141	566		566	7,707
Occupancy	102,535	102,535	100,622		100,622	203,157
IT services and equipment	65,579	65,579	10,802	5,535	16,337	81,916
Printing and publications	744	744				744
Travel	202,527	202,527	16,899	694	17,593	220,120
Conferences and meetings	46,519	46,519	34,491	1,938	36,429	82,948
Insurance	56,431	56,431	42		42	56,473
Depreciation			65,556		65,556	65,556
Resident services	381,357	381,357				381,357
Specific assistance to individuals	376,074	376,074				376,074
Other nonpersonnel expenses	22,840	22,840	1,344	1,379	2,723	25,563
Donated food and materials	59,602	59,602				59,602
TOTAL EXPENSES	\$ 12,524,380	\$ 12,524,380	\$ 2,233,800	\$ 192,521	\$ 2,426,321	\$ 14,950,701

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

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 3,702,674
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(657,351)
Depreciation	65,556
Amortization of operating lease right-of-use assets	3,106
Changes in certain operating assets and liabilities:	
Accounts receivable	(448,328)
Prepaid expenses	(10,721)
Other assets	(8,753)
Accounts payable	22,006
Accrued payroll	63,864
Accrued vacation	49,992
Deferred contract revenue	(35,756)
Lease liability	(3,106)
Deferred compensation	18,777
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,761,960</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(13,441,494)
Sales of investments	8,734,677
Purchases of equipment	(9,551)
NET CASH USED BY INVESTING ACTIVITIES	<u>(4,716,368)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on capital lease	(2,950)
NET CASH USED BY FINANCING ACTIVITIES	<u>(2,950)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,957,358)
Cash and cash equivalents at beginning of year	<u>7,270,687</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,313,329</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Right-of-use assets obtained in exchange for lease liabilities	\$ 26,888
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	\$ 4,432

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

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Life Skills Training and Educational Programs, Inc., (the Organization) is a California 501(c)(3) nonprofit public benefit charitable corporation. Since 1996 the Organization has provided social services to low-income seniors, adults and children residing in affordable housing communities. The Organization's 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.

Basis of Accounting and Financial Statement Presentation: The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entries. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Revenue Recognition: Revenue is derived primarily from program service fees, grants, contracts, and contributions. The revenue from grants is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions.

Program services fees are based on units of service provided and are recognized at the time the service is performed. Revenue from contracts with customers represents the amounts reported on the statement of activities as social services program fees. All of this revenue is recognized for goods and services transferred over time. Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability. There was no deferred revenue related to contracts with customers at December 31, 2023. A contract asset is recorded when the Organization satisfies a performance obligation of a contract but is not yet entitled to payment. When the Organization becomes entitled to payment, the contract assets are classified as a receivable, whether invoiced or not. Receivables related to contracts with customers totaled \$1,609,511 at December 31, 2023.

Contributions are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return are not recognized until the conditions on which they depend have been substantially met. Conditional contributions received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Unconditional contributions received are recorded with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions are classified as net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized.

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Designated net assets: The Organization has designated a portion of net assets for emergencies, such as scholarships to clients, and for future operations. The Organization also has established a board-designated endowment to distribute grants to residents across the Organization's portfolio of properties to empower residents with the economic support they need to maintain housing, stay healthy, grow and thrive.

Cash and Cash Equivalents: For purposes of the statements 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.

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. As of December 31, 2023, the balance of cash held by the Organization exceeded the federally insured limits by \$4,631,216. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Investments: Investments are stated at fair value. Unrealized and realized gains and losses are included in investment income reported on the statement of activities. Investment income is reported net of related investment expense.

Accounts receivable and allowance for doubtful accounts: Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of December 31, 2023, the Organization had no doubtful accounts receivable.

Property and Equipment: Property and equipment is stated at cost, or if donated, fair market value at the time of donation. Provision is made for depreciation by the straight-line method over the estimated useful life of the property (generally two to forty years). Expenditures for maintenance and repairs are charged to expense as incurred. Additions, major renewals and replacements that increase the property's useful life and exceed \$2,500 are capitalized.

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases: The Organization determines if an arrangement is or contains a lease at inception. Leases are reported as right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straightline basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

Accrued Vacation Payable: It is the Organization's policy to accumulate a limited amount of earned but unused vacation time, which will be paid to employees upon taking vacations or upon separation.

Some categories of expense are attributable to more than one function and are allocated on a consistent basis. Depreciation for leasehold improvements and other assets, utilities and rent are allocated based on square footage and estimated function. Salaries, benefits and payroll tax allocation are based on a percentage associated with an employee function and imputed time.

Donated Materials and Services: Donated materials are recorded as contributions at their estimated value at the date of receipt. Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Expense Allocation: Expenses of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but is subject to income taxes from activities unrelated to its tax-exempt purpose.

The Organization's federal returns for the years ended December 2022, 2021, and 2020 could be subject to examination by federal taxing authorities, generally for three years after they are filed. Organization's state returns for the years ended December 31, 2022, 2021, 2020 and 2019 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events: The Organization evaluated all events or transactions that occurred after December 31, 2023 and up to September 10, 2024, the date the financial statements were issued. During this period, the Organization did not have any recognizable subsequent events.

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE B – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Cash and cash equivalents	\$ 5,313,329
Accounts receivables	1,777,424
Investments	<u>10,799,475</u>
Total financial assets	17,890,228
Less those unavailable for general expenditures due within one year:	
Cash restricted by donor for specific uses	882,279
Designated for emergencies	596,230
Designated for future operations	5,262,282
Board-designated endowment	<u>6,204,471</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 4,944,966</u></u>

The Organization’s endowment funds consist of Board-designated endowments. Board-designated endowment funds are not available for general expenditure. The assets limited to use, are not available for general expenditure within the next year and are not included in the amounts above. Although the Organization does not intend to spend from the board-designated endowment, these amounts could be made available if necessary.

As part of the Organization’s liquidity management, it invests cash in excess of daily requirements in short and long term investments, primarily government securities and mutual funds.

NOTE C - INVESTMENTS

Investments at fair value consist of the following at December 31, 2023:

Exchange traded funds	\$ 4,844,192
U.S. Treasury	3,984,219
Money market funds	1,102,275
U.S. Agency securities	699,326
Mortgage pools	86,222
Corporate bonds	<u>83,241</u>
	<u><u>\$ 10,799,475</u></u>

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE C – INVESTMENTS (Continued)

The components of investment return for the year ended December 31, 2023 on the investments described above are as follows:

Interest and dividends	\$ 240,171
Net realized and unrealized gains	<u>657,351</u>
	<u><u>\$ 897,522</u></u>

Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Assets and liabilities are reported in three levels in the fair value hierarchy: using quoted prices in active markets for identical assets and liabilities (Level 1), using significant other observable inputs (Level 2) and using significant unobservable inputs (Level 3).

The Organization's investment in exchange traded funds are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The negotiable certificates of deposit, U.S. government bonds, mortgage pools and corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives. Depreciation expense for the year ended December 31, 2023 was \$65,556. Property and equipment as of December 31, 2023 are as follows:

Land	\$ 122,400
Buildings and improvements	1,075,734
Equipment and furniture	239,990
IT equipment and software	<u>68,790</u>
Total cost	1,506,914
Less: accumulated depreciation	<u>(559,769)</u>
	<u><u>\$ 947,145</u></u>

NOTE E – LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liability represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms and discounted using the Organization's estimated incremental borrowing rate.

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE E – LEASES (Continued)

The Organization leases a copier under an operating lease through April 2028. The right-of-use asset is recorded net of accumulated amortization of \$23,782, at December 31, 2023. The weighted-average discount rate applied to calculate the lease liability as of December 31, 2023, was 9.00%. As of December 31, 2023, the weighted-average remaining lease term for the Organization’s operating leases was approximately 4.33 years. Total expenses under operating leases were \$4,352 for 2023.

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

December 31,	
2024	\$ 6,648
2025	6,648
2026	6,648
2027	6,648
2028	2,216
Total lease payments	28,808
Less interest	(5,026)
Present value of lease liabilities	\$ 23,782

NOTE F – ENDOWMENT

Net assets with donor restrictions associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with the Organization’s spending policy, annually, the Board of Directors appropriates for expenditures all investment income, including interest, dividends, and net appreciation (depreciation). Funds that are appropriated for expenditure but not immediately expended convert to Board Designated Endowment funds. The Board Designated Endowment funds are classified and reported as net assets without donor restrictions and are available for unrestricted expenditure at any time.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original donor’s gift, as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of endowment funds continues to be classified as net assets subject to donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the following factors are considered in making a determination to appropriate or accumulative donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE F – ENDOWMENT (Continued)

The Organization has adopted an investment policy approved by the Board of Directors for endowment assets that is moderately aggressive that considers long-term (10+ years) growth. The target asset allocation is 80% equities and alternative investments and the remaining fixed income securities and cash/cash equivalents. No spending policy has been adopted.

Changes to the endowment net assets as of December 31, 2023 were as follows:

	Board Designated Endowment (Unrestricted)
Endowment assets, December 31,2022	\$ 5,507,953
Deposits into endowment	75,670
Investment return:	
Investment income	146,090
Net appreciation (realized and unrealized)	474,758
Expenditures	
Appropriated - released from restriction	<u> </u>
Endowment assets, December 31, 2023	<u><u>\$ 6,204,471</u></u>

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent donations or grants awarded to the Organization for which expenditures have not been incurred or for which a donor stipulation has not been met. For the year ended December 31, 2023, net assets with donor restrictions consisted of the following:

Client assistance - general	\$ 736,688
Client assistance - scholarship awards	127,662
Client reading program	<u>17,929</u>
	<u><u>\$ 882,279</u></u>

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions as follows at December 31 2023:

Grant program supplies	\$ 44,323
Speicific assistance individuals	144,032
Client scholarship awards	187,718
Bank fees	<u>4,763</u>
	<u><u>\$ 380,836</u></u>

LIFE SKILLS TRAINING AND EDUCATIONAL PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE H – RETIREMENT PLANS

The Organization 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, 2023 were \$29,703.

NOTE I – 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 year ended December 31, 2023, the Organization paid \$125,000 for consulting services.

NOTE J – DONATED MATERIALS AND SERVICES

The value of donated materials and services included in the financial statements for the year ended December 31, 2023 totaled \$59,602, and consists mostly of food products, and is reported on a separate line on the statement of functional expenses. These items are valued at the amount the item would sell for in its current condition, based on the value provided by the donor.

NOTE K – RESTATEMENT

The Organization determined during the year ended December 31, 2023 that payroll expense related to the year ended December 31, 2022 was not accrued. The correction was made as of January 1, 2023. Due to this correction, net assets at January 1, 2023 were reduced by \$489,419.